
**Department for Social Development Resource Account
For the year ended 31 March 2004**

*Laid before the Houses of Parliament by the Department of Finance
and Personnel in accordance with Paragraph 36 of the Schedule to
the Northern Ireland Act 2000 (Prescribed Documents) Order 2004*

11 November 2004

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RESOURCE ACCOUNT 2003-04





Resource Account for the year ended 31 March 2004

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Annual Report

1. The Departmental Accounting Boundary

1.1 The Department for Social Development (DSD) is one of eleven government departments established under the Northern Ireland Act 1998. These accounts consolidate financial information for the Department comprising two Executive Agencies, the **Social Security Agency (SSA)** and the **Child Support Agency (CSA)**; and two core groups, the **Resources, Housing and Social Security Group (RHSSG)** and the **Urban Regeneration and Community Development Group (URCDG)**.

1.2 The functions of the Department's Agencies and Groups are set out below:

- **SSA:** administers social security benefits through a network of central and local offices across Northern Ireland. It also administers the Social Fund which provides discretionary and regulated grants and interest free loans to meet the needs, in certain circumstances, of customers and people on low incomes. The SSA also provides 'back office' services for several London benefit offices of the GB Department for Work and Pensions and an accounting, storage, search and retrieval service for paid benefit orders for the whole of the United Kingdom.
 - **CSA:** arranges or collects child support maintenance on behalf of children whose parents live apart. In addition to providing a service within Northern Ireland, the CSA also provides services to the people of Eastern England, on behalf of the GB Child Support Agency.
 - **RHSSG:** negotiates and manages the allocation and control of the Department's resources and provides a number of corporate services* across the Department. The Group is also responsible for housing, social security, child support and pensions policy and legislation. The Appeals Service (NI), also part of RHSSG, provides administrative support to the independent tribunals set up by legislation to hear appeals against decision makers in the SSA, CSA, Inland Revenue, Northern Ireland Housing Executive (NIHE) and Rates Collection Agency.
- * Other corporate services are provided by the Central Policy and Co-ordination Unit (CPCU), which reports directly to the Permanent Secretary. CPCU does not however fall within the RHSSG organisation.
- **URCDG:** is responsible for developing urban regeneration policies and strategies and the delivery of relevant programmes in the main cities and larger towns in Northern Ireland. It also takes the lead in developing the



voluntary and community sector with particular emphasis on strengthening weak community infrastructure in deprived urban areas.

- 1.3 The Social Fund is consolidated within Schedules 1 to 5. Although elements of the National Insurance Fund (NIF) are included in Schedules 2 to 5, they are excluded from the Summary of Resource Outturn, Schedule 1.
- 1.4 The NIF, which is now the responsibility of the Inland Revenue, is excluded from the consolidation. However, certain elements are included in Schedules 2 to 5. These are contributory benefits, all administration costs and their related assets and liabilities.
- 1.5 The CSA operates a Client Funds Account to control the receipt of child maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance) and to the Agency (fees). This account is not consolidated within these accounts.
- 1.6 Annexe A contains a full list of the bodies for which the Minister had lead policy responsibility during the year, and details those which are consolidated within and those which are excluded from the accounts. A description of the functions of those bodies within the Departmental Accounting Boundary is given at paragraph 1.2 above. The functions of public sector bodies outside the Departmental Accounting Boundary are set out below:

Public Corporation

- **Northern Ireland Housing Executive** – the regional housing authority;

Executive Non-Departmental Public Bodies

- **Laganside Corporation** – with responsibility for managing the social and economic regeneration of that area of inner-city Belfast straddling both banks of the river Lagan;
- **Ilex Urban Regeneration Company** – set up by the Office of the First Minister and Deputy First Minister and the Department for Social Development, Ilex was incorporated as a Government owned company limited by guarantee in July 2003 to create and promote the co-ordinated regeneration of the Derry City Council Area and to facilitate its implementation in co-operation with the Department, other relevant Departments, Derry City Council, the private sector and other interested parties. Ilex is responsible for securing the economic, social and physical regeneration of the Ebrington and Fort George sites in Londonderry.



Non-executive Non-Departmental Public Bodies

- **Charities Advisory Committee** – an independent body appointed by the Department to advise on matters relating to the investment of charitable funds;
- **Disability Living Allowance Advisory Board for Northern Ireland** – an independent body whose primary role is to provide advice on medical matters referred to it by the Department or its medical practitioners;
- **The Rent Assessment Panel** - whose function is to determine appropriate rents for those properties in the private rented sector which are:
 - controlled under the Rent (Northern Ireland) Order 1978;
 - registered with the Northern Ireland Housing Executive; and
 - subject to appeal by either the landlord or tenant.
- **Vaughan Charity** - the Department is one of 5 trustees and as the holding trustee is bound to carry out the aims of the charity;

Independent Statutory Bodies

- **The Office of the Social Fund Commissioner (NI)** – delivers an independent review of discretionary Social Fund decisions made in the Social Security Agency. It also shares information and expertise with those who have an interest in the discretionary Social Fund and its review and participates in social policy research that contributes to the wider debate about the Social Fund and related issues.

2. Departmental Reporting Cycle

- 2.1 During 2003-04 the Departmental Management Board and Minister received quarterly progress reports against the Department's Public Service Agreement (PSA) and Business Plan targets. At year-end the Department published its 2003-04 Business Plan Position Report on the Internet at www.dsdni.gov.uk under the heading Publications-Business Plans.



Operating and Financial Review

3. Departmental Aims and Objectives

3.1 The work of the Department is shaped by a clear statement of its mission and strategic objectives. The Department's Mission Statement is *"Together, tackling disadvantage, building communities"*.

3.2 The Department's three strategic objectives are:

- To provide a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save.
- To promote measurable improvements to housing in Northern Ireland.
- Tackling disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development.

4. Principal Activities

4.1 The principal activities of the Department during 2003-04 were to:

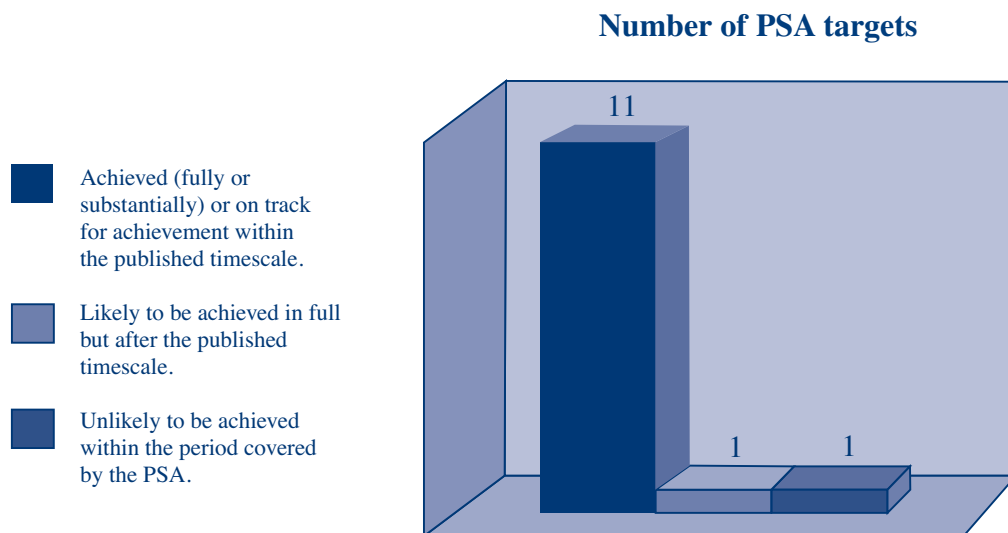
- Maintain Northern Ireland's social security, child support and pensions policy and legislation in line with the corresponding provisions in Great Britain;
- Promote and maintain social legislation in areas such as betting, gaming, liquor licensing and street trading, by updating and streamlining the law to reflect changing social attitudes and expectations and provide effective controls as well as respecting the freedom of the individual;
- Assess and deliver most social security benefits and the Social Fund;
- Assess, collect and arrange child support maintenance, ensuring parents maintain their children whenever they can afford to do so;
- Develop legislation and administrative arrangements to give effect to agreed housing policies;
- Fund the Northern Ireland Housing Executive, Registered Housing Associations and voluntary organisations concerned with the provision of housing services;



- Provide ongoing support for the voluntary and community sector by working with voluntary and community based organisations; and
- Tackle social, economic and physical regeneration in urban areas across Northern Ireland.

5. Performance in the Period

- 5.1 The work of the Department in 2003-04 took account of Government's "**Building on Progress - Priorities and Plans 2003-06**", which was published in early 2003. This document included each Department's Public Service Agreements (PSA) for 2003-04. PSAs are intended to set out Departments' plans to deliver results in return for the investment that is made through the Budget allocations. They provide a clear statement of priorities and a clear sense of direction and, as such, are an integral part of Government's policy and spending plans.
- 5.2 The Department had 13 PSA targets to deliver during 2003-04 and the overall final position is shown in the graph below.



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- 5.3 In addition to the PSA, each Department was also required to produce a Service Delivery Agreement (SDA) setting out in greater detail the associated actions and performance targets to ensure delivery of their PSA targets. The Department's SDA for 2003-04, in effect the 2003-04 Business Plan, was published at Appendix 1 of the DSD 2003-2006 Corporate Plan. The Department's End-Year Performance Report on delivery of its 2003-04 PSA/SDA targets is published on its Internet site at www.dsdni.gov.uk under the heading Publications-Business Plans or a copy may be obtained from:

Corporate Policy and Planning Branch
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST
BT7 2JB
Telephone: 02890 829501

- 5.4 The Department serves a wide range of customers through its Child Support and Social Security systems; through housing provision, and urban regeneration and community development initiatives. The Department's activities are central to the improvement of life for individuals, vulnerable groups and neighbourhoods within Northern Ireland. In this context, during 2003-2004, the Department has successfully delivered a wide range of vital services while, at the same time continuing to modernise its services and develop new strategies for some of its key policies. The key achievements for the year are set out in the following paragraphs.

Welfare Reform and Modernisation

- 5.5 The Child Support Agency and the Social Security Agency have continued to deliver Government's Welfare Reform and Modernisation Programme (WRMP) which is made up of a range of projects which, in combination, form a package to transform the whole social welfare system in Northern Ireland. Implementation involves establishing partnerships across Agencies in order to provide an integrated, efficient and secure social welfare system which assists and encourages work for those who can and provides security for those who cannot. Further information on progress of specific WRMP projects during 2003-04 is set out below.

Child Support Reforms

- 5.6 The aim of the reformed Child Support Scheme is to increase the number of children who receive child maintenance through measures such as a simpler formula for calculating child maintenance. The new Child Support scheme,



introduced for new cases on 3 March 2003, has therefore enabled the Child Support Agency to focus on getting money flowing to more children more quickly, with less time spent gathering information, carrying out reassessments and correcting errors. Implementation of the new scheme has however been hampered by problems with the new computer system, nationally. This has delayed the transfer of existing cases to the new scheme. Most existing cases will eventually be transferred to the new scheme, but only when the Government is sure that the scheme and the computer system are working well.

- 5.7 The Agency has been working hard to stabilise the problems associated with the new computer system and despite the difficulties has achieved its accuracy target for new scheme cases (92% against a target of 90%). Furthermore, in line with the emphasis of getting more money to more children, the Agency surpassed its target to increase the number of maintenance calculations as a percentage of total clearances by over 11% (51.44% achieved against the target of 40%). These are positive achievements for the Agency.
- 5.8 In addition to the new child support scheme, the Agency also had to administer existing cases under the original Child Support scheme. All targets set for existing scheme cases have been achieved.

Social Security Reforms

- 5.9 **Jobs and Benefits** - working in partnership with the Department for Employment and Learning (DEL), the SSA has continued the roll-out of the joint Jobs and Benefits Service which aims to deliver the Government's policy on 'Welfare to Work' by providing a joined-up benefit and job brokering service for job seekers. This enables an increased number of benefit customers to engage with the labour market. This service incorporates work-focused interviews as part of the benefit claiming process for recipients of Incapacity Benefit, Income Support, Carers Allowance, Bereavement Benefit and Jobseekers Allowance.
- 5.10 By 31 March 2004, 20 out of the 35 Social Security Offices in Northern Ireland had been co-located with Job Centres to form new Jobs and Benefits Offices. The new Jobs and Benefits accommodation provides SSA and DEL staff and customers (including employers who will have access to a wider range of potential employees) with a much-improved environment.
- 5.11 **Pension Credit** - the SSA continues to make major improvements to its service for pensioners to improve accessibility and make services more customer friendly. Pension Credit was introduced from 6 October 2003 to top up any income people over 60 receive to a minimum level set by the Government. It also rewards people for having certain types of income and savings. The SSA opened its new Pension Centre at Londonderry in March 2003 ahead of the



introduction of the new scheme. By October 2003, and on target, 76,500 existing Minimum Income Guarantee customers (Income Support for people over 60) had been converted to the new Pension Credit scheme. In addition, by 31 March 2004 a campaign to promote take-up of Pension Credit had a significant impact with approximately 6,300 more customers becoming entitled to Pension Credit.

- 5.12 **Payment Modernisation** - the SSA also continued with the modernisation of the way the payment of benefits are made through the Direct Payment Scheme. One of the aims of Direct Payment is to facilitate other measures on 'welfare to work' and promote financial inclusion. This involves replacing the largely paper based payment method with direct payment into customers' bank, building society or post office accounts. At 31 March 2004 the percentage of customers being paid by Direct Payment was slightly below plan with 58% of customers being paid direct against a target of 65%. However, it is worth noting that at any time during the conversion process there were a number of people who had supplied account details to enable them to switch to Direct Payment when their order book finishes. Business forecasts indicate that 84% of customers will have their benefit paid directly into their bank accounts by April 2005.
- 5.13 **Tax Credits** - the new Tax Credits schemes were introduced from April 2003 through partnership working between the SSA and Inland Revenue. Arrangements were also implemented across the SSA network so that Child Tax Credit and Working Tax Credit customers could complete application forms and report change of circumstances in Social Security Offices.

Housing

- 5.14 The Department plays a vital role in the provision of decent housing in Northern Ireland and provides a number of funding streams to support tenants on low incomes in Northern Ireland Housing Executive (NIHE) and Housing Association properties, as well as those in the private rented and owner occupied sectors. Such support comprises the provision of homes, the maintenance of homes to acceptable standards and tackling the issue of fuel poverty.

Provision of Homes

- 5.15 During 2003-2004 the Department's Housing Programme contributed significantly to the alleviation of the housing need for both homeless people and those on low incomes. In terms of the **New House Build** programme 1,451 new units were started, a shortfall of 49 against the target of 1,500. In addition **75 units for homeless people** were started as planned. In addition 10,500 homes were **re-let** by the Housing Executive and Registered Housing Associations.



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- 5.16 The Department was also pro-active in securing homes for people on low incomes in other ways. For example providing grant funding to the **Northern Ireland Co-ownership Housing Association** to enable it to assist 463 applicants to access home ownership in 2003-04; some 163 applicants more than the original target.
- 5.17 The Department also continued with its commitment to finding the best method of developing accommodation to meet the needs of the Travelling community. Pilot group-housing schemes, started in 2001-02, at Omagh and Castledawson were completed in 2001-02 and 2002-03 respectively. A third Travellers Scheme at Glen Road, Belfast, commenced in February 2004 and plans are in place to start a further scheme at Monagh Road, Belfast, during 2004-05.

Maintaining and Improving Homes

- 5.18 All maintenance work targets were achieved as well as targets for grant aid to the Private Sector to remedy unfitness and to allow disabled persons to live independently by making adaptations to their homes to meet their needs.
- 5.19 Funding was provided to support a programme of adaptations to dwellings to accommodate the needs of the disabled or older people. Furthermore, the new Supporting People initiative which was implemented in April 2003 assisted approximately 9,000 vulnerable people, such as the elderly, those with learning difficulties, the homeless and other socially excluded groups, to live as independently as possible in a recognised standard of accommodation.

Addressing Fuel Poverty

- 5.20 In 2003-04, through the Warm Homes Scheme, 6,947 private sector households were facilitated against a target of assisting 6,250 households. 3,845 contracts were awarded to replace solid fuel and Economy 7 heating in social housing with more efficient, better value systems.
- 5.21 The Department is committed to continue to tackle fuel poverty strategically and in October 2003 launched the consultation paper '*Towards a Fuel Poverty Strategy for Northern Ireland*'. The consultation paper sought views on the Department's understanding of fuel poverty and its plans to tackle the problem. The Department will use this consultation to guide the development of a Fuel Poverty Strategy for Northern Ireland.

Urban Regeneration

- 5.22 The Department took a major step forward with the launch in June 2003 of its wide ranging Neighbourhood Renewal Strategy '*People and Place*' for the regeneration of the top 10% deprived neighbourhoods in urban areas in



Northern Ireland. Using the combined efforts of Government departments and Agencies and working in partnership with local communities, the aim is to improve sustainable economic activity, provide better social conditions through better public services and to provide attractive and safer living conditions in the target areas.

- 5.23 Implementation plans for the Neighbourhood Renewal Strategy are being finalised for Belfast, Londonderry and other Regional Towns and Cities. Although in its early stages, much progress has been made during 2003-04 in taking the strategy forward in these areas as follows:
- **Belfast** – a Draft Implementation Plan for Belfast was issued for public consultation in January 2004. A final Implementation Plan and accompanying final Equality Impact Assessment (EQIA) are due to be published in autumn 2004.
 - **Londonderry** – a discussion paper for neighbourhood renewal was issued for public consultation in August 2003. A Draft Implementation Plan and EQIA for Derry/Londonderry are due to be issued for consultation in September 2004.
 - **Regional Towns and Cities** – a Draft Implementation Plan for neighbourhood renewal in towns and cities outside Belfast and Londonderry was issued in January 2004. The final Implementation Plan and EQIA are due to be issued in autumn 2004.
- 5.24 In 2003 the Department published ‘**The Heart of the City - Derry /Londonderry**’, Northern Ireland’s first urban design strategy for a city centre. The Strategy put forward strategic proposals for key riverside sites, and recommended improvements to transportation, high quality urban design and more public spaces. It is a vital tool in the creation of an attractive, vibrant and viable city centre in Londonderry.
- 5.25 The Department also operated a number of urban regeneration instruments such as Urban Development Grants, and schemes such as Comprehensive Development and Environmental Improvement to support neighbourhood renewal. Furthermore, investment and physical regeneration to create safe, healthy and stable communities was encouraged through the Making Belfast Work and Londonderry Regeneration Initiatives. Regeneration targeted at inner North Belfast was also progressed through URBAN II while the PEACE II programme was implemented in selected areas. In the North West the completion of the Shipquay Street Environmental Improvement Scheme in 2003 concluded a £2 million enhancement of the kerbing and flagstones on footpaths within the Walled City.



Community Development

- 5.26 The Department's Voluntary and Community Unit (VCU) continued to support community capacity building activities through a variety of mechanisms. This work is vital because it encourages active participation by individuals and groups in decisions that affect their lives, enhances quality of life and encourages people to work together to solve common problems that are often rooted in disadvantage and inequality. The Unit coordinated the implementation of activities identified in *'Partners for Change; Government's Strategy for the Support of the Voluntary and Community Sector'*.
- 5.27 The Department also established a TASKFORCE to consider future resourcing of the Voluntary and Community Sector. It produced a position paper 'Pathways for Change' in December 2003 setting out thinking on key themes important to government and to the voluntary and community sector. The TASKFORCE will make recommendations to the Minister, and the Department aims to develop a future strategy for support of the voluntary and community sector which reflects these recommendations by March 2005.
- 5.28 The Department provided financial assistance to local councils through the Community Support Programme to support the voluntary and community sector. A monitoring report on progress made by local councils in the implementation of Community Support Plans was produced in December 2003. The Department also actively supported programmes to promote volunteering: a range of projects and groups benefited creating approximately 3,500 new volunteering opportunities.
- 5.29 The Outreach Programme which consists of £2.9 million Executive Programme Funds (for 2003-04 and 2004-05) is supporting 13 demonstration projects across Northern Ireland aimed at effecting change in public sector organisations' policies, working methods and consultation arrangements in order to increase community involvement in the development and delivery of public services.
- 5.30 During 2003-04 VCU assisted a number of programmes and projects aimed at 'supporting and promoting good relations' – a key element of the statutory equality duties placed on public authorities. These projects were delivered in several areas throughout Belfast as well as in Londonderry, Craigavon, Dungannon, Ballycastle, Fintona and Carrickmore. Furthermore, communities within 18 District Council areas benefited from financial support through the Local Community Fund. This annual £3 million fund, which was established in February 2003, is aimed at developing community capacity and leadership in areas of weak community infrastructure. The Fund's objectives include promoting partnership working, within and between communities, helping communities improve their local environments, encouraging more active



participation by women in local community services and developing intervention programmes with young people. Evaluations of the impacts locally are underway. North West Development Office has also provided a funding package of £4 million for four interface areas in Londonderry and Strabane. The money, provided under Peace II, funds projects which address the legacy of the conflict and/or take opportunities arising from peace. Neighbourhood Action Plans have been completed for all four areas which are being considered by the Department.

Review of Charities Legislation

- 5.31 The Voluntary and Community Unit also has responsibility in Northern Ireland for the provision of advice on matters connected with charities, the discharge of a range of quasi-judicial functions under the Charities Act (Northern Ireland) 1964 and consideration of proposals requiring new legislation affecting charities. A review of charities, 'Public Benefit, Private Action', has been carried out in England and Wales, and there have also been reviews in Scotland and the Republic of Ireland. During 2003-04 VCU initiated its own review to consider options concerning the administration and legislation of charities in Northern Ireland.
- 5.32 VCU carried out a scoping review of existing and proposed arrangements in the UK, Republic of Ireland and elsewhere and established an Advisory Panel to consider options for the future regulation of charities in Northern Ireland. The Panel submitted a report to the Minister proposing that a NI Charity Commission and NI Register of Charities be established together with recommendations in relation to the numerous minor changes needed to bring Northern Ireland charities legislation into line with best modern practice. The Advisory Panel recommended that the proposals should be taken forward through a full-scale public consultation exercise in early autumn 2004.

Social Legislation

- 5.33 The Department's Social Policy Unit, part of the Urban Regeneration and Community Development Group, is responsible for the development of policy and promotion of legislation on betting, gaming, lotteries and amusements with prizes, liquor licensing, clubs registration, drinking in public bye-laws, opening hours for shops, hare coursing, street trading, game and game dealers' licences. Action was taken in the following key areas during 2003-04:
- **Liquor Licensing** – a public consultation exercise on the Draft Licensing (Indoor Arenas) (NI) Order containing proposals to amend liquor licensing legislation to allow large indoor arenas to obtain a liquor licence was undertaken. Under current law, it is not possible for applications for a liquor licence (other than an occasional licence) to be



made for such arenas. The majority of responses to the consultation exercise supported the licensing of indoor arenas;

- **Gambling** – ongoing work on a package of mainly deregulatory changes to Northern Ireland gambling law led to the making of the Betting and Gaming (NI) Order 2004 on 11 February 2004. The Order provides some modest relaxations of legislative controls on betting and gaming, including a change to allow on-course Sunday betting together with new employment protection rights for track betting workers who do not wish to work on Sundays. It also eases some of the present restrictions on the operation of bookmaking offices, betting on racetracks, retailing of football pools competitions, the operation of gaming machines, the notice and waiting periods for registration of clubs for gaming machine purposes and the advertising of bingo. Work is continuing on consequential subordinate legislation and the Order is expected to be brought fully into operation by the end of 2004; and
- **"Drinking in Public" Bye-Laws** – District Councils have the power to make bye-laws under Section 90 of the Local Government Act (NI) 1972. Under the existing bye-laws which are in operation in all District Council areas in Northern Ireland, it is an offence to drink alcohol in places designated by that council. A public consultation exercise in late 2003 showed significant support for more effective measures to control the drinking of alcohol in public places. This will require primary legislation and is being taken forward in conjunction with the Northern Ireland Office.

Financial Results for the Year

- 5.34 The Net Operating Cost of the Department in 2003-04 was £4.151 billion. The financial results of the Department are set out on pages 37 to 116.

Request for Resources A

- 5.35 DSD Core Administration:

There was no significant variation between the estimate and the outturn, which was within 5.8% (£0.7 million) of the estimate.

- 5.36 DSD Core Programme:

There was no significant variation between the estimate and the outturn, the outturn was (0.8)% (£3.5 million) above the estimate.



5.37 SSA Administration:

There was no significant variation between the estimate and the outturn, which was within 4.6% (£7.4 million) of the estimate.

5.38 SSA Programme:

Outturn programme expenditure, which is also part of the Annually Managed Expenditure, was 0.9% (£15.6 million) below the estimate. The main reason for this was:

Outturn for Jobseekers Allowance (income based) was 9.6% (£9.2 million) lower than the estimate due to a 9.8% lower caseload.

5.39 CSA Administration:

Outturn expenditure was 16% (£2.8 million) less than the estimate. The main reason for this was:

Child Support Agency for Northern Ireland was 14.5% (£2.4 million) lower than the estimate due to delays in the implementation of the Child Support reforms (due to the new UK wide IT systems not working properly) which meant that monies set aside in 2003-04 for migration and conversion of old scheme cases was not used. Also with the new system not working properly, IT costs were less than expected.

Request for Resources B

5.40 Housing Administration:

There was no significant variation between the estimate and the outturn, which was within 8.5% (£0.3 million) of the estimate.

5.41 Housing Programme:

Outturn programme expenditure was 4.9% (£16.8 million) less than the estimate. The main reason for this was:

Assistance to the voluntary housing movement was 18% (£15.1 million) lower than the estimate due to slippages in the commencement and completion of schemes by Housing Associations. Schemes can slip due to the reliance on many factors such as acquisition of land, planning permission, availability of contractors and the ability of the designated Housing Association putting the relevant private finance in place. The later that a scheme commences in the year, the later that it is completed and hence the more impact this has on the cost in year.



Request for Resources C

5.42 Urban Regeneration and Community Development Administration:

There was no significant variation between the estimate and the outturn, the outturn was (5.7)% (£0.6 million) above the estimate.

5.43 Urban Regeneration and Community Development Programme:

Outturn programme expenditure was 25.3% (£17.4 million) less than the estimate. The main reasons for this were as follows:

- Urban Regeneration was 25.6% (£7.1 million) lower than the estimate due to delays in uptake of grant aid by applicants who had anticipated incurring expenditure in this financial year. Some of the schemes will not proceed, others will proceed in the next financial year and some schemes put forward for funding did not meet eligibility criteria and were withdrawn.
- EU Programme for Peace and Reconciliation was 33.2% (£4.5 million) lower than the estimate due to delays in uptake of grant aid by applicants who were anticipated to draw down on funding in this financial year but who did not for a number of reasons including non-eligibility and start up delays.
- Executive Programme Funds were 11.4% (£0.5 million) lower than the estimate due to delays in project commencement for a number of reasons: project selection processes took longer than expected as planning approvals were delayed and economic appraisals and quality assurance reviews required more time than was anticipated.
- Community initiatives were 50.2% (£1.2 million) lower than the estimate. Included in the estimate was INTERREG III which did not commence as scheduled because of delays in establishing how to implement the funding. Under the Urban II scheme there were delays in the uptake of grant aid by applicants who had anticipated incurring expenditure in this financial year.
- Grants to Laganside were 11.1% (£0.8 million) lower than the estimate. Peace II funding was received by Laganside during the financial year, reducing their requirement for grant in aid.
- Urban Regeneration/Community Development Non-cash items were 21.7% (£1.8 million) lower than the estimate. Better cash management of working capital, especially in respect of the EU debtor, has resulted in



a reduced cost of capital requirement. In addition, expected impairments in respect of the ongoing VLA five yearly property revaluation exercises were below the estimate.

Fixed Assets

5.44 Details of movements in fixed assets are set out in **Note 19**. The Department does not believe that there is any material difference between the market and book value of its fixed assets as at 31 March 2004.

6. Investment for the Future

6.1 Both staff and managers at all levels of the organisation are facing a programme of modernisation to transform the business in order to provide highly efficient customer-focused services. The level of change across the Department requires the transformation of human resource policies in line with business needs.

6.2 A Departmental human resource framework has been developed around 5 key themes:

- Resource;
- Learning;
- Diversity and Inclusion;
- Leadership; and
- Modernisation.

6.3 Specific developments have included a review of the Department's reward and recognition strategies and a strategic review of the managing attendance programme. The Department recruited and promoted internally up to 1,000 staff, and provided approximately 7 days training and development per member of staff. An innovative career development strategy was introduced for senior managers; this included a series of Masterclasses and the introduction of a mentoring programme. Given the gender and age profile of staff, the Department developed a work/life policy statement and took it forward to harmonise HR policies across the Department.

6.4 Part of the human resource plans will include the implementation of electronic-HR (e-HR), which will completely modernise the delivery of human resource services. These plans include self-service access to human resource



management information, the development of a shared-services centre for all NICS departments, and more focused strategic development of the workforce in the Department.

- 6.5 The Department will seek to exploit new technology to make its internal processes more efficient including the use of new personnel and accounting systems and new information management systems.
- 6.6 A Policy, Research and Evaluation Committee has been established to support the Department's strategic planning priorities. This Committee will coordinate research to ensure clear linkages between research projects and the Department's business activities whilst identifying and commissioning cross cutting strategic research themes that can be developed.
- 6.7 The Committee will also ensure that the Department continues to provide value for money and meet the needs of its customers by monitoring and challenging the content and progress of the Department's policy evaluation programme to deliver policies which are both effective and necessary.

7. Events which have occurred since the financial year-end.

- 7.1 In April 2004, the Minister published a Regeneration Policy Statement for Belfast City Centre to identify the Department's regeneration objectives, priorities and plans. It is anticipated that this will stimulate a further injection of capital from private sector investors to regenerate the main shopping areas concentrating around the Royal Avenue/Cathedral Way area and the North West Quarter.
- 7.2 The vision is for a future Belfast that is an attractive and vibrant city for all its citizens and one that can compete with the best in Europe.
- 7.3 Real progress is already underway with approximately £300 million being invested in the Victoria Square Development due for completion in 2007.
- 7.4 From late May 2004, DSD staff began to move to new headquarters at the Gasworks Business Park on Belfast's Ormeau Road and occupy two new buildings, the Lighthouse Building located next door to a new 4 star Radisson hotel and James House located nearby. This move which aims to improve operational efficiency, has also paved the way for the aforementioned Victoria Square redevelopment project which will bring new life and jobs to that area.



Management

8. Ministers and Senior Officials

8.1 A Minister, supported by senior officials, heads the Department. The Permanent Secretary, the Department's most senior official, along with Departmental Board comprising the senior official in charge of each business area (RHSSG, URCDG, CSA and SSA), manages the Department. The Department's on-vote Executive Agencies are headed by Chief Executives who are supported by Executive Boards.

8.2 The Permanent Secretary is the Accounting Officer. Each Agency Chief Executive is an Agency Accounting Officer.

8.3 The following Ministers were responsible for the Department for Social Development during the 2003-04:

Mr Des Browne, MP

Parliamentary Under-Secretary of State 1 April 2003 – 15 June 2003

The Rt. Hon. John Spellar, MP

Minister of State 16 June 2003 – 31 March 2004

8.4 The composition of the Departmental Management Board during the year was as follows:

Permanent Secretary:

Mr John Hunter 1 April 2003 – 9 December 2003

Mr Alan Shannon 10 December 2003 – 31 March 2004

Deputy Secretary and Head of Resources, Housing and Social Security Group:

Mr Derek Baker 1 April 2003 – 31 March 2004

Deputy Secretary and Head of Urban Regeneration and Community

Development Group:

Mr John McGrath 1 April 2003 – 31 March 2004

Chief Executive Social Security Agency

Mr Chris Thompson 1 April 2003 – 1 January 2004

Mr Barney McGahan deputised for the period 2 – 11 January 2004

Mr Gerry Keenan 12 January 2004 – 31 March 2004



Chief Executive Child Support Agency

Mr Gerry Keenan

1 April 2003 – 11 January 2004

Mr Barney McGahan

12 January 2004 – 31 March 2004

9. Appointment of the Permanent Secretary and Members of the Management Board

- 9.1 The Permanent head of the Department was appointed by the Civil Service Commission under the terms of Article 6 of the Civil Service Commission (NI) Order 1999. The appointment is for an indefinite term under the terms of the Senior Civil Service contract (Part 5, Chapter 8 of the NICS Staff Handbook refers). The rules of termination are set out in Chapter 11 of the Senior Civil Service Management Code.
- 9.2 The Departmental Management Board comprises the Heads of the Department's Business Areas at Deputy Secretary and Chief Executive level, chaired by the Permanent Secretary. Appointments to these positions were determined in accordance with NICS promotion and appointment procedures which are overseen by the Civil Service Commission.

10. Remuneration of Ministers and Members of the Management Board

- 10.1 From 15 October 2002 the Department for Social Development has been under the direction and control of NIO Ministers. Their salary and allowances were paid by the NIO or the Cabinet Office. These costs have not been included as notional costs in the Operating Cost Schedule. Details of Mr Browne's and Mr Spellar's salary and allowances will be provided in the 2003-04 NIO Resource Accounts.
- 10.2 The Permanent Secretary's pay is determined in consultation with the NI Permanent Secretaries Remuneration Committee, taking account of the recommendations of the Senior Salaries Review Body.
- 10.3 The pay of other members of the Departmental Board is set by the recommendations of the annual Senior Salaries Review Body report.
- 10.4 Further details of pay and pension are included in Notes 1.13 and 2 to the Accounts.



Public Interest and Other

11. Policy on Employment of Disabled Persons

11.1 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 which encourage the full participation of disabled people. The Department, where possible, seeks to retain existing staff who are affected by disability through rehabilitation, training and reassignment.

12. Policy on Equal Opportunities

12.1 Section 75 of the Northern Ireland Act 1998 places a duty on the Department, requiring it, in carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity between:

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

12.2 In addition, the Act also requires the Department to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

12.3 In pursuit of this duty, the Department has set out in an Equality Scheme how it intends to comply with the Act. A key element of the statutory duty is the requirement to screen all new and existing policies in order to determine if any have significant implications for equality of opportunity. If the exercise determines that there are significant implications, then an equality impact assessment must be carried out and this would involve consultation with individuals and representatives of groups affected by the policy as well as representatives of the section 75 groups.

12.4 There are many commitments set out in the Department's Equality Scheme and each year the Department sends a progress report to the Equality Commission to inform it of the progress the Department has made. The Department has developed a training and communication plan setting out how it proposes to take forward training in the context of the section 75 duty.



13. Payment Practice Codes

- 13.1 The Department pays its trade creditors in accordance with the Confederation of British Industry Prompt Payment Code and Government Accounting rules. The Government Accounting rules require that the timing of payment should normally be stated in the contract. Where there is no contractual provision Departments should pay within 30 days of receipt of the goods or services or within 30 days of the presentation of a valid invoice, whichever is the later.
- 13.2 The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect from 1 November 1998, will enable suppliers to charge interest on overdue debts. The Department made no payments during the year in respect of such claims.
- 13.3 Details of payment performance are provided at **Note 39** to the accounts.

14. Auditor Details

- 14.1 The accounts and supporting notes relating to the Department's activities for the year end 31 March 2004 have been audited by the Northern Ireland Audit Office. The report of the Comptroller and Auditor General appears on page 34 to 36.
- 14.2 The cost of the audit for 2003-04 is a notional cost of £0.359 million. This fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There was no remuneration paid for non-audit work during the year.
- 14.3 The auditor was appointed by statute and will report to both the Northern Ireland Assembly and Parliament on the audit examination.

15. Employee Involvement

- 15.1 The Department places considerable reliance on the involvement of its employees. It makes every effort to ensure that all staff are kept informed of plans and developments. This is effected through meetings, team briefings, circulars, publication of business and training plans and the posting of relevant information on the Departmental intranet.
- 15.2 Staff have access to welfare services and to trade union membership.
- 15.3 The Department uses the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion and which is attended by both employer and trade union representatives. In this way, staff views are represented and information for employees is promulgated.



16 Health and Safety

- 16.1 The Department is committed to adhering to all existing legislation on Health and Safety at Work to ensure that staff and customers enjoy the benefits of a safe environment.

17. Electronic Government

- 17.1 DSD continues to make excellent progress towards meeting the government target for all key services to be delivered electronically by 31 December 2005. Corporate operations are now supported by an extensive network of information technology and information systems which are used by all staff on a daily basis. The main public services, Social Security and Child Support, rely heavily on the use of computer systems and telephony, although a high level of person to person contact is, and will continue to be, a feature of these services. The Department also has a well developed website which is updated regularly and which carries a vast amount of information and publications.
- 17.2 Of the 15 Key services for which DSD is responsible, all have been e-enabled to a significant degree. Based on information provided in early 2004 by DSD, the e-Government Unit of OFMDFM have measured DSD as having 'completed' the e-enabling of 6 Key Services, with average progress of 91% across all 15. The DSD e-Business Strategy has also now been formally reviewed and revised.

18. Policy on Freedom of Information

- 18.1 The Department is fully committed to meeting its obligations under the Freedom of Information (FOI) Act 2000. The Department is continuing its preparation so that it will have the processes in place to handle and monitor information access requests under FOI by December 2004. The Department will continue to publish and review information in accordance with the Department's Publication Scheme.

19. Conflict of Interests

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



Accounting Officer

20 October 2004



Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the department is required to prepare resource accounts for each financial year, in conformity with a DFP direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of Department, the net resource outturn, resources applied to objectives, recognised gains and losses, cash flows and related notes for the financial year.

DFP has appointed the Permanent Head of Department as Accounting Officer with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the principal Accounting Officer is required to comply with the Northern Ireland Resource Accounting Manual prepared by DFP and, in particular, to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as, set out in the Northern Ireland Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping of proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in Government Accounting Northern Ireland.



Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Social Development's (DSD) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

It is my responsibility to ensure that the Minister is fully aware of and involved as necessary in managing risks which impact on the Department and its sponsored bodies. The Minister approves the Department's Corporate and Business Plans and Public Service Agreement (PSA) targets from which corporate risks are derived and receives regular reports on all aspects of departmental performance. The Minister also receives a formal quarterly progress report highlighting any significant deviation from achievement of targets, including any underlying risk realisation.

As Accounting Officer I am supported and advised by the Departmental Management Board (DMB), which I chair and which comprises the Deputy Secretaries of the two Core Groups in the Department and the Chief Executives of the Social Security Agency and the Child Support Agency. The Deputy Secretaries have responsibility for the Department's relationship with and oversight of the two Executive NDPBs (Laganside Corporation and ILEX) and the Northern Ireland Housing Executive.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to implement policies and to achieve aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in DSD for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Capacity to handle risk

Leadership of the risk management process is provided corporately by DMB. The work of DMB regularly involves:

- agreeing the key risks, risk owners and controls to manage risks identified in the Corporate Risk Register;



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- taking major decisions affecting the management of risks within DSD;
 - monitoring the management and control of key risks to reduce the likelihood of unforeseen occurrence;
 - reviewing the Department's approach to risk management; and
 - ownership of the Corporate Risk Register.

All business areas within DSD have in place corporate governance arrangements which include risk management policies that are reviewed and endorsed annually and:

- set out the Department's approach to identifying, assessing and managing risk;
- set out the key aspects of the risk management process;
- identify the reporting procedures;
- detail the roles and responsibilities of those involved; and
- reinforce the link between risk management and the business planning process.

I have assigned ownership of key risks to those with the responsibility and authority for implementing controls and assigning resources to manage key risks.

The risk management policies have been embedded across the Department. Prior to the introduction of the new risk management arrangements an extensive programme of training of key staff was undertaken to ensure full understanding of the new methodology. Various groups such as the Departmental Management Board, Agency Management Boards and Audit Committees provide fora for exchanging information and sharing best practice on risk management issues, in addition to the more formal learning and development opportunities that exist for individual staff.

The risk and control framework

The Department's Corporate Governance Framework includes the following bodies:

- the Departmental Management Board;
- the Management Boards in each of the Department's two Executive Agencies and two Core Groups;
- the Departmental Audit Committee;
- the Audit Committees in each of the Department's two Executive Agencies and two Core Groups;



-
- the Departmental Internal Audit Service; and
 - the Departmental Corporate Investigations Unit in respect of fraud.

All business areas have in place risk management policies and appropriate processes and procedures to: identify business objectives and risks, including risk registers; evaluate risk and the existing controls in place; allocate risk ownership to appropriate staff; regularly review and report on aspects of risk management and internal control and manage them economically, efficiently and effectively. At a corporate level, risk management has been incorporated in the corporate and business planning and decision-making processes of the Department, and the Departmental Management Board carries out regular reviews of key departmental risks and their updating.

The Department's corporate and business planning processes ensure that corporate objectives and targets are disaggregated to lower management. A system is in place to ensure regular monitoring of progress by the DMB against corporate and business plan objectives and targets. Risk management arrangements are similarly disaggregated to lower management levels and supported by a system of stewardship statements in a number of individual business areas.

The Department maintains a Corporate Investigations Unit within the Financial Management Directorate. The Unit is responsible for providing the Department with an effective investigative capability. It has a prime role in the maintenance and servicing of the Department's Fraud Response Plan as well as providing an objective and professional investigation service.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Departmental Audit Committee and plans to address weaknesses and ensure continuous improvement of the system are in place.

An integrated departmental process operates to ensure risk management and internal control issues are regularly reviewed and reported at the appropriate level to ensure effective internal control mechanisms are maintained and developed. Throughout the year, risk owners monitor their respective risks and any new issues or threats identified are reported to a more senior level and ultimately to DMB as appropriate on a quarterly basis.



Audit Committees are in place in all business areas to consider and approve the audit programme, completeness and quality of Internal Audit work and to ensure appropriate management action on audit recommendations. These groups assist me by drawing my attention to matters of governance, risk, control and assurance.

The Department's Internal Audit Unit, which operates to the Government's Internal Audit standards, provides me with an independent opinion on risk management, control and governance arrangements by measuring and evaluating their effectiveness in achieving the Department's agreed objectives. Internal Audit findings and recommendations are also beneficial to line management in the audited areas. Internal Audit provides an independent and objective consultancy service to help management improve the Department's risk management, control and governance arrangements. I also benefit from comments made by the external auditors in their management letters and reports.

The Department's economists provide me with an assurance on value for money and sound business decisions through quality assurance of economic appraisals in the Department.

Significant internal control problems

During the year 2003-04 action was taken to address a number of weaknesses in systems of internal control that were identified in different business areas.

Resources, Housing and Social Security Group (RHSSG)

In his report on the 2002-03 Resource Account for the Department the Comptroller and Auditor General qualified his audit opinion because of weaknesses in financial control and monitoring of expenditure in relation to grants paid to Registered Housing Associations. These concerns covered:

- inaccurate and inapplicable certifications made by Housing Associations;
- non-adherence by Housing Associations to Departmental procedures;
- insufficient documentary evidence to support key decisions taken by Housing Associations;
- insufficient control and monitoring of schemes by Housing Associations; and
- inadequate Departmental control and monitoring.

During the financial year 2003-04 the Department's Housing Associations Branch took remedial action to address the weaknesses identified by the Comptroller and Auditor General and by an earlier audit of Housing Associations Branch carried out by the



Department's Internal Audit Unit. These actions included the following:

- Enhanced monitoring of Housing Associations' certifications. A database has been set up to provide an enhanced monitoring tool for scrutinising scheme submissions by Housing Associations. Annual returns for common errors are maintained and these are addressed through a rolling programme of visits to Housing Associations. A new process of evidence-based certification became operational for all projects in February 2003.
- Performance audits were carried out on eleven Housing Associations to verify compliance with the published performance standards and with the Associations' Annual Performance Returns for the year ended 31 March 2003. One of the 11 audits resulted from allegations of fraud and mismanagement. The programme for 2003-04 was substantially completed, though one visit was delayed due to changes within the Housing Association. The Performance Audit arrangements were complemented by the 12 Development Compliance Audits and the fourteen Maintenance Minor Works and Validation Audits which were also carried out during 2003-04. This rolling programme of Performance, Development Compliance and Maintenance Minor Works and Validation Audits will continue until subsumed into the planned inspections of Housing Associations scheduled to commence in 2004-05. Investigatory visits to Housing Associations will continue to be arranged as necessary.
- Supervisory and managerial checks are in operation to ensure compliance by Housing Associations Branch with audit recommendations. In November 2003 the Internal Audit follow-up report on the audit of Housing Associations Branch reported that of the original twenty-nine recommendations made and accepted, twenty-five had been cleared effectively. Due to the action taken the assurance rating for the Branch was uplifted to "substantial". In its annual report to the Departmental Audit Committee in June 2004 Internal Audit was able to report that further work by Housing Associations Branch had reduced the number of outstanding recommendations to one.
- New information systems reporting performance against activities and targets defined in housing business plans have been introduced to monitor progress on a monthly basis.
- It was hoped that a new Housing Associations Guide would have been completed by March 2004. Work on this is still progressing. Parts 1 and 2 have been revised and are currently available on the Department's internet site. It is expected that the review of the remaining parts of the guide will be completed by the end of 2004.
- The concerns identified by the Comptroller and Auditor General in relation to payments to Housing Associations, and difficulties with implementation by



Housing Associations of the housing new build programme, have been deemed sufficiently important to be escalated to the Department's Corporate Risk Register and receive regular attention at the most senior management levels in the Department.

Under arrangements agreed at devolution the payment of Housing Benefit is administered by the Northern Ireland Housing Executive (NIHE). The Department has introduced a target to reduce fraud and error in Housing Benefit by 25% by 2006 from the baseline figure established in 2002. NIHE is amending its counter-fraud strategy to ensure that areas of Housing Benefit most vulnerable to fraud and error are addressed.

Urban Regeneration and Community Development Group (URCDG)

In his report on the 2002-03 Resource Account for the Department the Comptroller and Auditor qualified his audit opinion because of weaknesses in financial control and monitoring of expenditure in relation to urban regeneration and community development grants to voluntary and community bodies.

It is also disappointing that the weaknesses arising in the programmes administered by the Department in 2003-04 continue to be those previously reported by Internal Audit namely:

- insufficient evidence/ investigation to support funding decisions;
- insufficient liaison with other funders to prevent duplicate funding;
- inadequate Letters of Offer (LOO)/ non-compliance with the terms of the LOO;
- failure to issue revised LOO's as a result of a fundamental change;
- insufficient evidence to support payments;
- inadequate financial control/ monitoring; and
- no economic appraisal/ approval from DFP.

As a consequence of these continuing weaknesses the Group has been unable to improve its overall audit rating from that of 'No Assurance'.

The various weaknesses in key financial controls and monitoring of expenditure identified by Internal Audit throughout URCDG were also reported by the NIAO in their management letter on the 2002-03 Accounts, with particular regard to the lack of backing documentation to substantiate funding decisions. An internal Project Review Panel in one business area has substantiated these findings and is working with management to address shortfalls in guidance and training.



As a consequence of the audit weaknesses identified in the 2002-3 C&AG's report, URCDG gave an undertaking both to share best practice and to put in place a number of actions to further address the reported audit weaknesses. Actions which have been carried out during 2003-04 are detailed below:

- the establishment of Business Support Units (BSU) in four of the URCDG Directorates to provide quality assurance by way of reviewing project files, issuing best practice guidance and undertaking monitoring and verification of funded projects. Best practice is further shared throughout the Group by way of the BSU Forum;
- the introduction of enhanced monitoring in the North West Development Office by way of project visits; and
- the development of a new Contract for Funding (CFF) (formerly Letter of Offer) in Belfast Regeneration Office and training of staff on the revised CFF.

The Group has also made progress in a number of areas, namely Governance and Risk Management, and in the implementation of a number of generic audit recommendations as detailed in the Internal Audit Annual Report. However, certain actions in the Group's Action Plan, an example being post payment checking, were not implemented as effectively as they should have been.

Further actions planned for 2004-05 by the Group are:

- the introduction of an independent check in each Directorate prior to the issue of the Contract for Funding (CFF);
- the introduction of revised payment processing and project monitoring & evaluation checklists, initially in one Directorate;
- the setting of a payments accuracy target of 75% in each Directorate;
- clearly documented controls for each grade to ensure clear personal responsibility;
- quarterly Directorate reports to the Group Management Board analysing the results of the CFF checks and payment accuracy levels achieved against target;
- monthly assurance checks from Grade 7s confirming all specified checks have been performed to the required standard; and
- the appointment of a new senior manager at Grade 6 level with overall responsibility for financial control, planning and governance across URCDG.



The Group Management Board acknowledges the system weaknesses and has welcomed the assistance of the audit bodies in addressing the Group's problems. Senior management and I accept that non compliance is ultimately a performance management issue and that in order to improve performance, accountability for ensuring compliance with the systems of controls that have been put in place must rest very clearly with staff.

Social Security Agency (SSA)

In his audit on the 2002-03 DSD Resource Account the Comptroller and Auditor General raised a number of qualification issues in relation to the SSA.

The first of these issues was in relation to the estimated levels of fraud and incorrectness in Social Security benefits. During 2003-04 the Agency has continued its regular monitoring and measurement of the levels for fraud, error and decision making. The report from the Standards Committee on Decision Making and Accuracy for 2003-04 has shown that, with the exception of two minor benefits, all decision making standards have been either maintained or improved since the last report with nine out of the thirteen benchmarks achieved or exceeded. Results in relation to payment accuracy standards have also shown an improvement in performance in the four main benefit areas, namely Income Support, Jobseekers Allowance, Disability Living Allowance and Incapacity Benefit, with seven out of the nine targets either achieved or exceeded. The Chairperson of the Standards Committee has commended the Agency's performance in this area.

The final Benefit Review figures for 2003-04 for Income Support and Jobseekers Allowance have not yet been published but the information currently available suggests that combined Income Support and Jobseekers Allowance levels of fraud and error are reducing. The latest Benefit Review figures for Incapacity Benefit, which were published in September 2003, also show that there has been a reduction in the levels of fraud and error compared to the levels reported in 2001.

All benefit branches agreed Programme Protection Plans for 2003-04 and these are also in place for 2004-05 to improve accuracy, and identify areas for action to reduce levels of fraud and customer error. Performance against these plans is monitored on a monthly basis by Agency Management Board.

Another issue from the C&AG's 2002-03 report involved uncertainties over certain debtor and creditor balances within the Programme Accounting Computer System (PACS) which have led to qualification issues on the Agency's balance sheet. In relation to the debtors balance work has continued during 2003-04 to improve the accuracy and completeness of these figures. Some progress has been made, but major work still needs to be done. This work involves improvements in the flow of information to the PACS system itself and a fundamental review of the debt management system used within the Agency. In relation to the creditors balance, the



Encashment Control Creditor, there are still the underlying problems concerning the accuracy of this figure in the accounts. However, the final year end creditor figure has been reduced, partly due to the uptake of Direct Payment throughout the 2003-04 year.

The SSA Internal Audit Annual report for 2003-04 considered that limited assurance was appropriate for Programme Expenditure. The main areas of concern were the inability of the current Agency OPSTRAT computer systems to allow effective segregation of duties and certain non-compliance with laid down procedural guidance. Internal Audit also considered that the measurement system in relation to one of the Agency's PSA Targets was inadequate.

Improvements in the OPSTRAT computer systems are reliant on concurrent changes in the similar systems used in Great Britain (GB) and Agency management is therefore limited in the control of system change requests. Hence the position in relation to the segregation of duties remains unchanged from 2002-03. However, to try and address the issue, the Agency continues to work with Internal Audit to minimise the weaknesses identified in the OPSTRAT computer systems.

Non-compliance with laid down procedures is an ongoing problem. However the Agency has recently introduced a new performance reporting process which requires senior managers to complete Certificates of Assurance for the Chief Executive. The certificates confirm that all areas of the business are being properly controlled, or where this assurance cannot be given, an exception report is completed.

The measurement system in relation to the PSA Target for the recovery of benefit overpayments is considered to be inadequate. Debt Management Unit (DMU) which is responsible within the Agency for the recovery of benefit overpayments has designed and agreed a plan of work that will validate the information supplied to and recorded by the branch. Work has also commenced by DMU to examine and validate the records held on the Overpayment Recovery System (OPREC) to obtain assurance that the information held is complete and accurate.

In the statement last year my predecessor referred to problems within DMU concerning the completeness of overpayment information sent to the unit and the work that was being undertaken to address the issues. This work is continuing with revised processes being piloted in two Districts within the Agency and if successful there will be a full implementation of the improved procedures.

Child Support Agency (CSA)

Internal Audit did not reveal any significant weaknesses within the Administration Accounts of the Agency.



Accounting Officer
20 October 2004



The Certificate and Report of the Comptroller and Auditor General

I certify that I have audited the financial statements on pages 37 to 116 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 47 to 56.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 24, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 25 to 33 reflects the Department's compliance with the Department of Finance and Personnel's guidance 'Corporate Governance: Statement on Internal Control'. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures.



Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements and of whether the accounting policies are appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements. I did not have reasonable assurance, or the evidence available to me was limited in the following areas:

- the Benefit Review process estimated losses of £112 million in Income Support, Job Seeker's Allowance, Disability Living Allowance, Attendance Allowance, Carer's Allowance, Retirement Pension & Bereavement, Incapacity Benefit and Housing Benefit through fraud and error;
- weaknesses in financial control and monitoring of expenditure in respect of grants to Registered Housing Associations;
- significant weaknesses in financial control and monitoring of expenditure in respect of urban regeneration and community development grants to the voluntary and community sector; and
- insufficient evidence due to deficiencies in the accounting systems to substantiate the Programme Accounting Computer System's encashment control creditor balance and contributory and non-contributory benefit overpayment debtor balance in Schedule 3.

Opinion: disclaimer on view given by financial statements

Because of:

- the errors in payments of Income Support, Jobseeker's Allowance, Disability Living Allowance, Attendance Allowance, Carer's Allowance, Retirement Pension & Bereavement, Incapacity Benefit and Housing Benefit and fraudulent claims made in receipt of those benefits; and



-
- the possible effect of the limitations in evidence available to me in relation to grants to Registered Housing Associations, urban regeneration and community development grants to the voluntary and community sector and certain debtor and creditor balances in the Programme Accounting Computer System,

I am unable to form an opinion as to whether:

- the financial statements give a true and fair view of the state of affairs of the Department for Social Development as at 31 March 2004 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In all other respects, in my opinion the financial statements have been properly prepared in accordance with Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel.

In respect of the errors and fraud in Social Security Benefits, the limitations on my work relating to Programme Accounting Computer System and the weaknesses in financial control and monitoring of expenditure in respect of grants to Housing Associations and urban regeneration and community grants, I have not obtained all the information and explanations that I considered necessary for the purpose of my audit.

Details of these matters can be found in my report on these financial statements.



J M Dowdall CB
Comptroller and Auditor General
28 October 2004

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU



Schedule 1 - Summary of Resource Outturn 2003-04

	2003-04							2002-03
	Estimate			Outturn			Net total outturn compared to Estimate	Prior year outturn
	Gross Expenditure £'000	Accruing Resources £'000	Net TOTAL £'000	Gross Expenditure £'000	Accruing Resources £'000	Net TOTAL £'000		
Request for Resources A (Notes 7 and 11)								
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:	2,430,845	(93,833)	2,337,012	2,400,108	(86,148)	2,313,960	23,052	2,494,312
Request for Resources B (Notes 7 and 11)								
Promoting measurable improvements to housing in Northern Ireland:	644,279	(311,577)	332,702	627,162	(311,577)	315,585	17,117	303,025
Request for Resources C (Notes 7 and 11)								
Tackling disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:	93,716	(14,987)	78,729	76,239	(14,318)	61,921	16,808	56,121
Total resources	3,168,840	(420,397)	2,748,443	3,103,509	(412,043)	2,691,466	56,977	2,853,458
Non-operating AR (note 7.2)			(38,298)			(36,856)	(1,442)	(10,717)
Net cash requirement			2,752,148			2,617,099	135,049	2,802,560



Schedule 1 - Summary of Resource Outturn 2003-04 (continued)

Summary of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts are shown in italics).

	Note	2003-04 Forecast		2003-04 Outturn	
		Income £'000	Receipts £'000	Income £'000	Receipts £'000
Total	5	12,750	<i>12,750</i>	23,660	<i>35,073</i>

Explanation of variation between Estimate and Outturn (net total resources):

The main reasons for the variation between the Estimate and the Outturn, in respect of net total resources, are:

RfR A

- (i) Child Support Agency for Northern Ireland was 14.5% (£2.4 million) lower than the estimate due to delays in the implementation of the Child Support reforms (due to the new UK wide IT systems not working properly) which meant that monies set aside in 2003-04 for migration and conversion of old scheme cases were not used. Also with the new system not working properly, IT costs were less than expected.

RfR B

- (ii) Assistance to the voluntary housing movement was 18% (£15.1 million) lower than the estimate due to slippages in the commencement and completion of schemes by Housing Associations. Schemes can slip due to the reliance on many factors such as acquisition of land, planning permission, availability of contractors and the ability of the designated Housing Association putting the relevant private finance in place. The later that a scheme commences in the year, the later that it is completed and hence the more impact this has on the cost in year.

RfR C

- (iii) Urban Regeneration was 25.6% (£7.1 million) lower than the estimate due to delays in uptake of grant aid by applicants who had anticipated incurring expenditure in this financial year. Some of the schemes will not proceed, others will proceed in the next financial year and some schemes put forward for funding did not meet eligibility criteria and were withdrawn.



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- (iv) EU Programme for Peace and Reconciliation was 33.2% (£4.5 million) lower than the estimate due to delays in uptake of grant aid by applicants who were anticipated to drawdown on funding in this financial year but who did not for a number of reasons including non-eligibility and start up delays.
 - (v) Executive Programme Funds were 11.4% (£0.5 million) lower than the estimate due to delays in project commencement for a number of reasons: project selection processes took longer than expected as planning approvals were delayed and economic appraisals and quality assurance reviews required more time than was anticipated.
 - (vi) Community initiatives were 50.2% (£1.2 million) lower than the estimate. Included in the estimate was INTERREG III which did not commence as scheduled because of delays in establishing how to implement the funding. Under the Urban II scheme there were delays in the uptake of grant aid by applicants who had anticipated incurring expenditure in this financial year.
 - (vii) Grants to Laganside were 11.1% (£0.8 million) lower than the estimate. Peace II funding was received by Laganside during the financial year, reducing their requirement for grant in aid.
 - (viii) Urban Regeneration/Community Development Non-cash items were 21.7% (£1.8 million) lower than the estimate. Better cash management of working capital, especially in respect of the EU debtor, has resulted in a reduced cost of capital requirement. In addition, expected impairments in respect of the ongoing VLA five yearly property revaluation exercise were below the estimate.



Schedule 1 - Summary of Resource Outturn 2003-04 (continued)

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

- (i) The main reasons for the variation between the Estimate and the Outturn, in respect of net cash requirement, are the variation in Total Resource Outturn and its Estimate (as above), the smaller than anticipated non-cash items, the lower than anticipated movement in working capital other than cash, and lower than anticipated capital expenditure.

Reconciliation of resources to net cash requirement:

		2003-04		2002-03	
		Estimate	Outturn	Net total outturn compared to Estimate	Prior year Outturn
	Note	NET TOTAL £'000	NET TOTAL £'000	saving/ (excess) £'000	£'000
Net total resources	41	2,748,443	2,691,466	56,977	2,853,458
Capital:					
Acquisition of fixed assets	18	60,915	53,771	7,144	5,600
Investments	18	-	-	-	-
Non-operating AR					
Proceeds of fixed asset disposals	7.2	(36,775)	(35,333)	(1,442)	(9,153)
Repayment of loans to other bodies	7.2	(1,523)	(1,523)	-	(1,564)
Accruals adjustments:					
• Non-cash items	6.2	(44,385)	(33,863)	(10,522)	(35,607)
• Changes in working capital other than cash	25.1	23,693	1,201,420	(1,177,727)	(14,152)
• Changes in creditors falling due after more than one year	25.3	-	(1,258,053)	1,258,053	-
• Use of provision	24	-	151	(151)	(22)
• Excess of Social Fund grant to operating cost expenditure	9	2,000	(1,712)	3,712	(277)
• Agencies' Net Cash Outflow	36	-	995	(995)	4,277
Asset transferred from DRD	19	(220)	(220)	-	-
Net cash requirement (Schedule 4)	41	2,752,148	2,617,099	135,049	2,802,560



Schedule 2 - Operating Cost Statement for the year ended 31 March 2004

Administration costs	Note	2003-04 £'000	2003-04 £'000	2002-03 £'000	2002-03 £'000
Request for Resources A					
Staff costs	2	132,987		128,405	
Non-Staff administration costs	3	114,945		106,619	
			247,932		235,024
Request for Resources B					
Staff costs	2	1,700		1,541	
Non-Staff administration costs	3	455		104	
			2,155		1,645
Request for Resources C					
Staff costs	2	6,643		5,475	
Non-Staff administration costs	3	2,740		1,943	
			9,383		7,418
Gross administration costs			259,470		244,087
Operating Income	7		(38,532)		(41,182)
Net administration costs	8		220,938		202,905
Programme costs					
Request for Resources A					
Staff costs	2,4	358		293	
Expenditure	4	2,135,655		2,346,025	
Less: Income	7	(4,035)		(17,940)	
			2,131,978		2,328,378
Request for Resources B					
Staff costs	2,4	-		-	
Expenditure	4	625,007		308,551	
Less: Income	7	(324,729)		(47,125)	
			300,278		261,426
Request for Resources C					
Staff costs	2,4	258		261	
Expenditure	4	66,598		50,768	
Less: Income	7	(24,020)		(11,358)	
			42,836		39,671
National Insurance Benefits and Non-Voted Expenditure					
Expenditure	4	1,455,040		1,399,963	
Less: Income	7	(10)		(2)	
			1,455,030		1,399,961
Net programme costs	4		3,930,122		4,029,436
Net operating cost	9 & 10		4,151,060		4,232,341
Net resource outturn	9		2,691,466		2,853,458

All income and expenditure are derived from continuing operations. There have been no acquisitions or disposals during the year. The notes on pages 47 to 116 form part of the accounts.



Schedule 2 - Operating Cost Statement for the year ended 31 March 2004 (continued)

Statement of recognised gains and losses for the year ended 31 March 2004

	2003-04	2002-03
	£'000	£'000
Net gain on revaluation of tangible fixed assets	27,528	6,311
Total recognised gains and losses for the financial year	27,528	6,311



Schedule 3 - Balance Sheet as at 31 March 2004

	Note	31 March 2004 £'000	31 March 2004 £'000	31 March 2003 £'000	31 March 2003 £'000
Fixed assets:					
Tangible assets	19	144,417		103,419	
Investments	20	22,869		24,418	
			167,286		127,837
Debtors falling due after more than one year	21		1,309,070		37,100
Current assets:					
Debtors	21	271,468		170,640	
Cash with paying agents	22	12,774		35,598	
Cash in hand	22	49		96	
		284,291		206,334	
Creditors: (amounts falling due within one year)	23	(302,267)		(165,359)	
Net current (liabilities) / assets			(17,976)		40,975
Total assets less current liabilities			1,458,380		205,912
Creditors (amounts falling due after more than one year)	23	(1,258,053)		-	
Provisions for liabilities and charges	24	(7,526)		(6,005)	
			(1,265,579)		(6,005)
Net Assets			192,801		199,907
Taxpayer's Equity:					
General fund	36	123,515		157,467	
Revaluation reserve	36	69,286		42,440	
			192,801		199,907

The notes on pages 47 to 116 form part of the accounts.



Accounting Officer
20 October 2004



Schedule 4 - Cash Flow Statement for the year ended 31 March 2004

	Note	2003-04 £'000	2002-03 £'000
Net cash (outflow) from operating activities	i	(4,084,507)	(4,152,234)
Capital expenditure and financial investment	ii	(12,070)	(1,415)
Payments of amounts due to the Consolidated Fund		(24,233)	(69,265)
Financing from the Consolidated Fund	iii	2,601,016	2,796,473
Net financing from the National Insurance Fund	iv	1,517,195	1,421,284
Agencies' Net Cash (Outflow)	36	(995)	(4,277)
(Decrease) in cash in the period	iii	(3,594)	(9,434)

Notes to the Cash Flow Statement

Note i: Reconciliation of operating cost to operating cash flows

		2003-04 £'000	2002-03 £'000
Net operating cost		(4,151,060)	(4,232,341)
Adjustments for non-cash transactions	6.1	33,863	35,607
Adjustments for movements in working capital other than cash	25.2	(1,232,820)	44,478
Adjustment for movement in creditors due after more than one year	25.4	1,258,053	-
Transfer of Child Benefit	25.5	7,608	-
Use of provision	24	(151)	22
Net cash (outflow) from operating activities		(4,084,507)	(4,152,234)

Note ii: Analysis of capital expenditure and financial investment

	Note	2003-04 £'000	2002-03 £'000
Tangible fixed asset additions	18	(53,769)	(6,413)
Proceeds of disposal of fixed assets	18	40,150	3,434
Receipt of repayments of loans to other bodies	20	1,549	1,564
Net cash (outflow) from investing activities		(12,070)	(1,415)



Schedule 4 - Cash Flow Statement for the year ended 31 March 2004 (continued)

Note iii: Analysis of financing from the Consolidated Fund and reconciliation to the net cash requirement

	Note	2003-04 £'000	2002-03 £'000
From Consolidated Fund (Supply): current year (a)	36	2,583,887	2,785,431
From Consolidated Fund (Supply): prior year (b)		17,129	11,042
From the Consolidated Fund (Non-supply)		-	-
Net financing		2,601,016	2,796,473
Decrease in cash		3,594	9,434
Net cash flows other than financing		2,604,610	2,805,907

Adjustments for payments and receipts not related to supply

	Note	2003-04 £'000	2002-03 £'000
Amounts due to the Consolidated Fund – received in prior year and paid over		(2,554)	(33,475)
Amounts due to the Consolidated Fund – received and not paid over		13,394	7,508
Adjustment to Consolidated Fund Extra Receipts balance		-	(1,085)
National Insurance Fund financed activities – payments		(1,515,546)	(1,397,579)
National Insurance Fund financed activities – receipts		1,517,195	1,421,284
Net cash requirement (Schedule 1)		2,617,099	2,802,560

Note iv: Analysis of net financing from the National Insurance Fund

	Note	2003-04 £'000	2002-03 £'000
Net financing from the National Insurance Fund	36	1,517,195	1,421,284

- (a) Amount of grant actually issued to support the net cash requirement: £2,583,887,000.00.
- (b) Amount of grant actually issued to support the prior year net cash requirement: £17,128,792.54.



Schedule 5 - Resources by Departmental Aim and Objectives for the year ended 31 March 2004

	Gross £'000	Programme Income £'000	2003-04		Total Net £'000
			Net £'000	Administration Net £'000	
Objective 1					
To provide a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentive to work and save:	3,591,053	(4,045)	3,587,008	209,875	3,796,883
Objective 2					
To promote measurable improvements to housing in Northern Ireland:	625,007	(324,729)	300,278	2,155	302,433
Objective 3					
To tackle disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:	66,856	(24,020)	42,836	8,908	51,744
Net operating costs	4,282,916	(352,794)	3,930,122	220,938	4,151,060
2002-03					
	Gross £'000	Programme Income £'000	Net £'000	Administration Net £'000	Total Net £'000
Objective 1					
To provide a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentive to work and save:	3,746,281	(17,942)	3,728,339	194,290	3,922,629
Objective 2					
To promote measurable improvements to housing in Northern Ireland:	308,551	(47,125)	261,426	1,645	263,071
Objective 3					
To tackle disadvantage amongst individuals, communities and neighbourhoods, with particular encouraging, developing and supporting community development:	51,029	(11,358)	39,671	6,970	46,641
Net operating costs	4,105,861	(76,425)	4,029,436	202,905	4,232,341

See Note 28.



Notes to the Financial Statements for the year ended 31 March 2004

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2003-04 NI Resource Accounting Manual (NIRAM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the NIRAM follow UK Generally Accepted Accounting Practice (UK GAAP) for companies to the extent that it is meaningful and appropriate to the public sector. Where the NIRAM permits a choice of accounting policy, the accounting policy, which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets, and stocks, where material, at their value to the business by reference to their current costs.

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, UK GAAP and accounting and disclosure requirements issued by DFP as far as those requirements are appropriate.

1.2 Basis of consolidation

These accounts comprise a consolidation of the core Department, its on-vote Executive Agencies, and its non-executive non-Departmental public bodies.

The Executive Agencies of the Department are the Child Support Agency (CSA) and the Social Security Agency (SSA).

The Social Fund is consolidated within Schedules 1 to 5. Although elements of the National Insurance Fund (NIF) are included in Schedules 2 to 5, they are excluded from the Summary of Resource Outturn, Schedule 1.

The NIF, which is now the responsibility of the Inland Revenue, is excluded from the consolidation. These are contributory benefits, all administration costs and their related assets and liabilities.

A full list of bodies and funds consolidated within the accounts is given at Annexe A, together with a list of excluded bodies.



This consolidation boundary ensures that all items which fall within DSD expenditure are reflected in the operating cost statement whereas the summary of resource outturn reflects only those items which fall within the supply process.

Each Executive Agency produces its own Annual Report and Accounts. Separate White Paper Accounts are produced for the Social Fund and the NIF.

1.3 Tangible fixed assets

Fixed assets comprise the land and buildings, computers and equipment held by the Department or DFP.

Freehold land and buildings have been restated at current cost using professional valuations by the Valuation and Land Agency (VLA) every five years and appropriate indices in intervening years. The valuations were 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 next valuation will be carried out before the 1 April 2008 and revaluations will be at five yearly intervals thereafter. Other tangible assets have been stated at current cost using appropriate indices at 31 March 2004. All assets in the same class have been revalued.

The new towns development land in Craigavon, Ballymena and Antrim has been on the books of the Department (and before it, the Department of the Environment) for in excess of 30 years and, although not the original intention, is currently held for rental under a piecemeal programme of disposal, economic conditions permitting (so as not to adversely affect the property markets in those areas).

The capitalisation thresholds are £1,000 for office machinery and fixtures and fittings, and £5,000 for property improvements, cabling, software and licences. All personal computer equipment is also capitalised irrespective of cost.

Title

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

- (i) Property on the Departmental estate, title to which is held by DSD; and
- (ii) Property held by DFP, which is in the name of the Secretary of State for Northern Ireland.



1.4 Depreciation

No depreciation is provided on freehold land since they have unlimited or very long estimated useful lives.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of freehold buildings and other tangible fixed assets on a straight-line basis over their estimated useful lives, or lease period if shorter.

Asset lives are normally in the following ranges:

Asset type	Asset life			
	DSD Core	Housing & Urban Regeneration	CSA	SSA
Freehold buildings	25 – 60 years	100 years	10 - 25 years	5 - 60 years
Leasehold property	Lease period remaining	100 years	Lease period remaining	25 - 60 years
Computer equipment	3 – 10 years	3 - 5 years	3 - 5 years	3 - 10 years
Other equipment	3 – 15 years	3 - 10 years	5 - 10 years	3 - 10 years

The majority of furniture and fittings are rented from DFP and have not been capitalised. Instead this forms part of the notional accommodation costs included in the Operating Cost Statement.

The CSA does not own any land or buildings, however fitting out of the Great Northern Tower and Royston House has been capitalised, as leasehold improvements, over the period of the lease – 25 years and 10 years respectively.

Most of the buildings used by the core Department and its agencies are part of the Government Estate. As rents are not paid for these properties, notional accommodation costs are based on a capital charge for the properties. These costs have been charged to the Operating Cost Statement.

1.5 Intangible fixed assets

Software licences, i.e. the right to use software developed by third parties are treated as intangible assets and the capitalisation threshold is £5,000. They are depreciated over the life of the licences. Software developed either inhouse or by third parties is capitalised as a tangible asset.

1.6 Investments

Fixed asset investments consist of loan stock. The loan stock is valued at cost, which is considered to be a close approximation of the market value.



1.7 Vesting of land

In certain instances, the Department will vest property with the intention of facilitating Urban Regeneration. In such circumstances the Department assumes ownership at the date of which the vesting order becomes operative and the property is capitalised at its VLA valuation.

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

1.8 Stocks

Within the core Department and its on-vote Executive Agencies, stocks consist only of consumable items and are therefore expensed in the year of purchase.

1.9 Operating income

Operating income is income, which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided to external customers and public sector repayment work, but also includes other income such as that from investments. It includes both income appropriated-in-aid of the Estimate and income to the Consolidated Fund, which in accordance with the NIRAM is treated as operating income. It excludes Accruing Resources and Consolidated Fund extra receipts treated as capital. Receipts under EU Peace and Reconciliation Programme or other EU initiatives are also treated as operating income.

1.10 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme costs.

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

Programme costs reflect non-administration costs including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery. The Department's main areas of programme expenditure are Social Security, Housing, Urban Regeneration and



Community Development and grants to the Voluntary Sector.

Social Security programme expenditure comprises statutory payments including contributory benefit expenditure, which is funded from the NIF and expenditure which is borne by the Social Fund in addition to the programme expenditure, which is within the supply process.

1.11 Social security programme expenditure

Social Security benefits are paid by order books, girocheques, payable orders and bankers automated credit transfer. The main method is through order books encashable at Post Offices.

1.12 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs.

The charge is calculated at the Government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities, except for:

- donated assets and assets financed by grants other than from the EU where the charge is nil; and
- liabilities for amounts to be surrendered to the Consolidated Fund where the credit is at a nil rate.

1.13 Pensions

Present and past employees of the core Department and its Agencies are covered by the Principal Civil Service Pension Scheme [PCSPS(NI)] which are described in Note 2. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents benefits. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Department and its Agencies meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS(NI) as a whole.

For the year 2003-04, contributions of £13.532 million (2002-03 £13.414 million) were paid to the PCSPS(NI) at rates determined by the Government Actuary and advised by the Department of Finance and Personnel. These rates were in the range 12% - 18% of pensionable pay (2002-03 12% - 19.5%).



1.14 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department it is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.15 Grants payable

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

Housing Association Grants are repayable to the Department on the sale of housing properties. In addition, most grants provided by Urban Regeneration contain a provision within the Letter of Offer for clawback of the grant in particular circumstances. The amount of the repayment that is known with reasonable certainty has been included within debtors (Note 21).

1.16 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised), entitled *How to Account for PFI Transactions* as required by the *NIRAM*. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.



Where the balance of risks and rewards of ownership of the PFI property is borne by the Department, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.17 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement.
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.18 Provisions

The Department provides for legal or constructive obligations, which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

1.19 Value Added Tax

VAT is recovered centrally by the Department (from DFP) on a cash basis. The Operating Cost Statement is stated net of VAT. Both trade debtors and trade creditors are stated gross of VAT and the VAT account balance is adjusted accordingly.

1.20 Third party assets

The CSA operates a Client Funds Account to control the receipt of child



maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance) and to the Agency (fees). These are not Departmental assets and are not included in the Balance Sheet.

The CSA Client Funds Account shows that £12.7 million was received during 2003-04 (2002-03 £12.5 million) by the Agency from non-resident parents. Of the £12.8 million (2002-03 £12.6 million) subsequently paid out in the year, £8.5 million (66%) (2002-03 £8.3 million (66%)) was paid over to persons with care and £4.0 million (31%) (2002-03 £3.9 million (31%)) was paid to DSD where persons with care were in receipt of income support and £0.3 million (3%) (2002-03 £0.4 million (3%)) was refunded to non-resident parents.

1.21 National Insurance Fund (NIF)

As stated in Note 1.2 above, the NIF is excluded from the consolidation. However, contributory benefits funded from the NIF and the costs to the Department of administering the National Insurance Fund are included in the Operating Cost Statement. The NIF provides financing to the Department to cover this contributory benefit expenditure and the administration costs incurred by the Department. The financing from the NIF shown in the Cash Flow Statement is the net financing due to the Department. Any difference between the net financing due to the Department and the net financing received from the NIF will be reflected in the current account maintained between the Department and the NIF.

1.22 Early departure costs

The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the PCSPS(NI) Vote. The amount provided is shown net of any such payments.

The Civil Service White Paper, 'Continuity and Change' (Cm 2627) published in July 1994, announced arrangements for funding early departure costs of civil servants departing between 1 October 1994 and 31 March 1997. Under these arrangements 20% of the cost will normally be borne by Agencies and Departments and the remaining 80% which would otherwise fall upon Departments' running costs, will be met centrally from the DFP Superannuation Vote. In Northern Ireland the full costs falling in 1994-95 of departures between 1 October 1994 and 31 March 1995 have been funded by DFP



Superannuation Vote. Recovery of 20% of the costs falling after 1 April 1995 of departures between 1 October 1994 and 31 March 1995, and the 20% of both the lump sum and ongoing costs of staff departing between 1 April 1995 and 31 March 1997, will be made from Departments.

Government policy is to include the full cost of a Department's activities in its accounts even where, as in this case, some of the costs are borne elsewhere in Government. Normal accounting practice is to provide for the full cost of early departure of employees in the year in which the early departure decision is made. However, for departure costs covered by the 80:20 arrangements, such treatment would not reflect the fact that 80% of the cost will be borne by DFP Superannuation Vote rather than the Department. Consequently DFP has issued a direction that whereas the 20% element borne by the Department should be charged to the Operating Cost Statement and charged to a Provision on the Balance Sheet, the annual payments from Superannuation Vote in respect of the 80% element should be reflected as notional costs in the Department's Operating Cost Statement when actually paid.

For early departures occurring after 31 March 1997 the Department has to fund 100% of the costs.

1.23 EU income

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

1.24 Funding from parliamentary vote

Vote funding is not treated as income on the face of the Operating Cost Statement, instead cash voted and drawn down is credited to the general fund.

1.25 Provision of agency services

The Department provides agency services to the Department of Work and Pensions (DWP) in administering the Belfast Child Support Agency Centre, the Belfast Benefit Centre, and the Paid Order Unit. The direct cash costs incurred in operating the Belfast Child Support Agency Centre and the Belfast Benefit Centre are recovered in full from DWP. Of the direct cash costs incurred by the Paid Order Unit 96% is recovered from DWP with the remaining 4% being the Department's share of running costs.



The expenditure in relation to these services is reported as administration costs in the Operating Cost Statement with the related Accruing Resources treated as operating income.

1.26 Derivatives and Other Financial Instruments

The Department uses financial instruments to manage the financial risks associated with the Department's underlying business activities. The Department has reported these in accordance with Financial Reporting Standard (FRS) 13, Derivatives and Other Financial Instruments: Disclosures. The Department does not undertake any trading activities in financial instruments.



2 Staff numbers and costs

Staff costs

2.1 Administration staff costs consist of:

	2003-04				2002-03
	Total £'000	Officials £'000	Ministers £'000	Special Advisers £'000	Total £'000
Wages and salaries	120,109	120,109	-	-	115,014
Social security costs	7,593	7,593	-	-	6,569
Other pension costs	13,577	13,577	-	-	13,618
Sub Total	141,279	141,279	-	-	135,201
Inward Secondments	51	51	-	-	220
Total	141,330	141,330	-	-	135,421
Less Recoveries in respect of outward secondments	-	-	-	-	-
Total net administration staff costs	141,330	141,330	-	-	135,421

Programme staff costs consist of:

	Note	2003-04				2002-03
		Total £'000	Officials £'000	Ministers £'000	Special Advisers £'000	Total £'000
Wages and salaries	4	519	519	-	-	465
Social security costs	4	32	32	-	-	29
Other pension costs	4	65	65	-	-	60
Sub Total		616	616	-	-	554
Inward Secondments		-	-	-	-	-
Total		616	616	-	-	554
Less Recoveries in respect of outward secondments		-	-	-	-	-
Total net programme staff costs		616	616	-	-	554
Total Net Costs		141,946	141,946	-	-	135,975

Minister's salaries are a notional cost to the Department as their actual salaries are paid by the Northern Ireland Office. All other notional costs are included in Note 3.3 and 4, but in order to comply with Para. 8.5.5(c) of the Northern Ireland Resource Accounting Manual salaries paid to Ministers are included in Note 2.

The PCSPS(NI) is an unfunded multi-employer defined benefit scheme which produces its own resource accounts, but the Department is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial



valuation was carried out as at 31 March 1999 and an interim estimate of the scheme liability is available at 31 March 2002. A full actuarial valuation of the scheme liability is currently underway and details will be found in the separate scheme statement of the PCSPS(NI).

For 2003-04, employers' contributions of £13.532 million (2002-03 £13.414 million) were payable to the PCSPS(NI) at one of four rates in the range 12% to 18% of pensionable pay, based on salary bands. The 2004-05 rates are in the range 12% to 18% of pensionable pay, based on the revalorised salary bands.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7,338 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £863, 0.8% of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £6,145. Contributions prepaid at that date were £6,145.

Of the total expenditure on staff costs in 2003-04 of £141.946 million (2002-03 £135.975 million) £133.345 million relates to Request for Resources A (2002-03 £128.698 million), £1.700 million relates to Request for Resources B (2002-03 £1.541 million) and £6.901 million relates to Request for Resources C (2002-03 £5.736 million).



Average number of persons employed

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

	2003-04 Number of Staff						2002-03 Number of Staff	
	Total	Ministers	Special Advisers	Senior Management	Officials	Inward secondments	Agency, temporary & contract staff	Total
Objective 1 To provide a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:	7,177	-	-	51	6,763	3	360	7,143
Objective 2 To promote measurable improvements to housing in Northern Ireland:	65	-	-	6	59	-	-	61
Objective 3 To tackle disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:	244	-	-	25	208	3	8	236
Staff engaged on capital projects	-	-	-	-	-	-	-	-
Total	7,486	-	-	82	7,030	6	368	7,440



Salary and pension entitlements

2.3 Salary and pension entitlements of the most senior managers of the Department were as follows:

Name	Salary including performance pay £'000	Real increase in pension and related sum at age 60 £'000	Total accrued pension at age 60 at 31 March 2004 and related lump sum £'000	CETV at 31 March 2003 £'000	CETV at 31 March 2004 £'000	Real increase in CETV after adj. for inflation & changes in market investment factors £'000	Employer contribution to partnership pension account including risk benefit cover (nearest £100) £	Benefits in kind (rounded to nearest £100) £
2003-04								
Mr J Hunter Permanent Secretary (01/04/02 – 09/12/03)	100 - 105	2.5 – 5 plus 2.5 – 5 lump sum	40 – 45 plus 115–120 lump sum	666	674	8	-	-
Mr A Shannon Permanent Secretary (10/12/03 – 31/03/04)	Consent to disclose withheld							
Mr D Baker Deputy Secretary, Resources, Housing & Social Security Group	70 - 75	2.5 – 5 plus 2.5 – 5 lump sum	20 – 25 plus 65–70 lump sum	275	313	22	-	-
Mr J McGrath Deputy Secretary, Urban Regeneration & Community Development Group	70 - 75	2.5 – 5 plus 2.5 – 5 lump sum	20 – 25 plus 70 –75 lump sum	347	380	15	-	-
Mr J Johnston Assistant Secretary, Central Policy & Co-ordination Unit (01/04/03 – 04/07/03)	50 - 55	2.5 – 5 plus 2.5 – 5 lump sum	15 – 20 plus 55–60 lump sum	215	242	15	-	-
Mr P Angus Assistant Secretary, Central Policy & Co-ordination Unit (26/08/03 – 31/03/04)	50 - 55	2.5 – 5 plus 7.5 –10 lump sum	15 – 20 plus 55–60 lump sum	252	309	44	-	-

Name	Age	Salary including performance pay £'000	Real increase in pension and related sum at age 60 £'000	Total accrued pension at age 60 at 31 March 2003 and related lump sum £'000	Benefits in kind (rounded to nearest £100) £
2002-03					
Mr J Hunter Permanent Secretary	55	95-100	2.5 – 5.0	35-40	-
Mr D Baker Deputy Secretary, Resources Housing & Social Security Group	45	70 - 75	0 – 2.5	20 – 25	-
Mr C Radcliffe Deputy Secretary, Urban Regeneration & Community Development Group (01/04/02 – 20/09/02)	58	95 – 100	0 – 2.5	40 – 45	-
Mr J McGrath Deputy Secretary, Urban Regeneration & Community Development Group (20/01/03 – 31/03/03)	50	70 - 75	2.5 – 5.0	20 – 25	-
Mr J Johnston Assistant Secretary, Central Policy & Co-ordination Unit (04/11/02 – 31/03/03)	44	50 - 55	2.5 – 5.0	15 – 20	-

Salaries include gross salaries, performance pay or bonuses, overtime, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. It does not include the estimated monetary value of benefits in kind.

The 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 liabilities spouse's pension payable from the 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.

Information similar to that above in respect of the Chief Executives of the SSA and the CSA is included in their respective Agency accounts.

Pension benefits – see 2.5 below.



2.4 The salary and pension entitlements of the Ministers of the Department were as follows:

Name	Age	Salary including performance pay £'000	Real increase in pension and related sum at age 60 £'000	Total accrued pension at age 60 at 31 March 2004 and related lump sum £'000	Benefits in kind (rounded to nearest £100) £
2002-03					
Mr N Dodds OBE MP MLA Minister (01/04/02 – 14/10/02)	44	15 – 20	0 – 2.5	0 – 5	-

Salaries include gross salaries, performance pay or bonuses, overtime, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. It does not include the estimated monetary value of benefits in kind.

The 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 liabilities spouse's pension payable from the 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.

Between 1 April 2002 and 14 October 2002 the Department for Social Development was under the control of Mr N Dodds OBE MP MLA. His Ministerial salary and allowances were paid by the Northern Ireland Assembly and have therefore been treated as a notional cost in the 2002-03 resource accounts. Details of his Ministerial salary, allowances and other benefits are given above.

From 15 October 2002 until 15 June 2003 the Department for Social Development was under the direction and control of Mr D Browne MP and from 16 June 2003 it was under the direction and control of Mr J Spellar MP. The salary and allowances were paid by NIO or the Cabinet Office rather than the NI Assembly. These costs have not been included as notional costs in the Operating Cost Schedule in the same way as Devolved Minister's salaries. Details of their salary and allowances, will be provided in the 2003-04 NIO resource accounts.

Pension benefits for Mr N Dodds OBE MP MLA are provided under the Assembly Members Pension Scheme (NI) 2000, created by the Assembly Members Pensions Determination 2000, made by the Secretary of State for Northern Ireland on 13 May 2000.



Pension benefits for the Northern Ireland Assembly Ministers are provided through the Assembly Members' Pension Scheme. This is a statutory scheme which provides benefits on a 'final salary' basis at normal retirement age of 65 (or age 60, if reckonable service is more than 20 years, with a sliding scale from 60 to 65). Members pay contributions of 6% of pensionable earnings, including Office Holder's salary. Benefits accrue separately on the Member's salary and on the Office Holder's salary. For service as a Member, benefits accrue at a rate of 1/50th of the member's pensionable salary for each year of service. In addition, Ministers receive a pension in respect of their Office Holder's salary. This equals 1/50th of Member's pensionable salary times the sum of the ratios of the actual contributions paid in respect of the Office Holder's salary in each year, divided by a full year's contributions paid in respect of a Member's salary for that year.

In the event of ill-health, it is possible for both the Member's and Office Holder's pension to be brought into payment immediately without actuarial reduction. On death in retirement, a pension is payable to a surviving spouse at a rate of 62.5% of the Member's and Office Holder's pension, before any commutation. On death in service, the scheme pays a lump sum benefit of three times salary, including Office Holder's salary. A pension is payable to the surviving spouse, at a rate of 62.5% of the pension which would have been payable had the Member retired in ill health.

Pension benefits to Westminster's Ministers are provided by the Ministerial Pension Scheme (MPS) which is part of the Parliamentary Contributory Pension Fund (PCPF) for Members of Parliament. The MPS provides benefits on a "final salary" basis with a 1/50th accrual rate taking account of all service as a Minister. Benefits are payable on retirement from Ministerial office on or after age 65, or on the payment of benefits under the main PCPF scheme. Members pay contributions of 6% of the Ministerial salary. There is also an employer contribution of 7.5% of the Ministerial salary, paid by the Exchequer. In the event of retirement because of serious ill health, the MPS pension is brought into payment immediately. On death, pensions are payable to the surviving spouse at a rate of five-eighths of the Minister's pension. On death in service the MPS provides for a lump sum gratuity of three times the ministerial salary. Pensions increase in payment in line with changes in the Retail Prices Index. On retirement, it is possible to commute part of the pension for a lump sum.

2.5 Superannuation Scheme

The employees of the Department are civil servants to whom the conditions of the Superannuation Act 1965 and 1972 and subsequent amendments apply. The staff are covered by the Principal Civil Service Pension Scheme which is a non-contributory scheme. The rate of the PCSPS(NI) is determined from time to time by the Government Actuary and advised by DFP. The rate for 2003-04



varied between 12% and 18% (2002-03 12% and 19.5%) depending on the grade.

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (*classic*, *premium* and *classic plus*). New entrants after 1 October 2002 may choose between membership of *premium* or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (*partnership pension account*).

(a) *Classic Scheme*

Benefits 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. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(b) *Premium Scheme*

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 commute some of their pension to provide a lump sum up to a maximum of 3/80^{ths} of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8^{ths} the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) *Classic Plus Scheme*

This is essentially a variation of *premium*, but with benefits in respect of service before 1 October 2002 calculated broadly as per *classic*.



All staff in service at 1 October 2002 were given the option to join the *premium* or *classic* plus arrangements.

Pensions payable under *classic*, *premium*, and *classic* plus are increased in line with the Retail Prices Index.

(d) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

The accounts reflect the actual costs of the employers' contributions, which were £13.532 million (2002-03 £13.414 million) for the year.

Outstanding contributions amounting to £nil were payable to the Civil Superannuation Vote at 31 March 2004 (£0.039 million at 31 March 2003) and are included in creditors (see Note 23.1).

2.6 Early Departure Scheme

The full costs of early departure decisions in the year were £0.110 million (2002-03 £0.203 million).



3 Other administration costs and areas under Departmental cost control

3.1 Other administration costs

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

	Note	2003-04 £'000	2002-03 £'000
Rentals under operating leases:			
- Hire of plant and machinery		442	474
- Other operating leases		123	470
Interest charges		-	-
PFI service charges:			
- Off-Balance Sheet contracts		2,872	1,900
- Service element of on-Balance Sheet contracts		-	-
Accommodation costs		3,111	2,901
Contracted services		30,254	26,976
CSA GB running costs (fully reimbursed)		22,630	23,982
Travel and subsistence		3,081	2,506
Management consultancy		2,860	1,804
Medical adjudication		5,606	5,810
Postage		3,179	3,855
Printing and stationery		3,715	3,277
Service charges		3,256	2,541
Computer and office running costs		3,761	2,641
Other expenditure		9,643	8,092
Non-cash items	3.2	23,607	21,437
Total		118,140	108,666

Of the total expenditure on other administration costs in 2003-04 of £118.140 million (2002-03 £108.666 million) £114.945 million relates to Request for Resources A (2002-03 £106.619 million), £0.455 million related to Request for Resources B (2002-03 £0.104 million) and £2.740 million relates to Request for Resources C (2002-03 £1.943 million).



3.2 Administration costs: non-cash items

	Note	2003-04 £'000	2002-03 £'000
Notional costs (excluding Ministers' salaries)	3.3	20,438	18,729
Depreciation on administration fixed assets	19	2,541	1,788
Loss on disposal of administration fixed assets	18	-	214
Movement in administration provision	24	185	557
Permanent diminution in value of administration fixed assets		443	149
Other		-	-
Total	3.1, 6	23,607	21,437

3.3 Notional costs

Certain services are provided and received by the Department without the transfer of cash. Amounts of £20.438 million (2002-03 £18.729 million) are included in the net cost of operations and are made up as follows:

	Note	2003-04 £'000	2002-03 £'000
Services provided by other Departments			
Accommodation costs	3.3a	8,881	8,869
Other indirect charges and services	3.3b	10,443	10,098
Other		-	-
		<u>19,324</u>	<u>18,967</u>
Other notional costs			
Notional cost of capital charge in respect of net administration assets		755	(593)
Auditors' remuneration and expenses	3.3c	359	355
Other		-	-
		<u>1,114</u>	<u>(238)</u>
Total	3.2, 36	20,438	18,729

- 3.3a Accommodation costs include charges levied from the Accommodation and Construction Division of DFP.
- 3.3b Other indirect charges and services are levied by DFP, DHSSPS, DRD, DWP and NICS Recruitment Service.
- 3.3c The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There was no remuneration paid for non-audit work during the year.

The notional cost of capital charge in respect of net programme assets is included in Note 4 below.



4 Net programme costs

		2003-04	2002-03
		Net	Net
	Note	Expenditure	Expenditure
		£'000	£'000
Current grants and other current expenditure		2,803,770	2,669,946
Seconded out staff – wages and salaries	2.1	519	465
Seconded out staff – social security costs	2.1	32	29
Seconded out staff – other pension costs	2.1	65	60
Non-contributory programme overheads	17	13,226	18,277
Non-supply expenditure: contributory benefits	9.1	1,455,040	1,399,963
Depreciation on programme fixed assets	6, 19	16	12
Notional cost of capital charge in respect of programme assets	6, 36	6,556	13,525
Movement in provisions (excluding amounts utilised in year)	6, 24	1,487	2,992
Loss on disposal of fixed assets	6, 18	239	48
Permanent diminution in value of programme fixed assets	6	1,958	544
Other programme costs		8	-
		4,282,916	4,105,861
Less: programme income	7	(352,794)	(76,425)
Total		3,930,122	4,029,436

Current grants and other expenditure and contributory benefits expenditure is the amount of expenditure incurred in the year and excludes programme overheads. The expenditure analysed in Note 11 includes programme overheads.

5 Analysis of income payable to the Consolidated Fund

Summary of income payable to the Consolidated Fund.

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts are shown in italics).

	Note	2003-04 Forecast		2003-04 Outturn	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£'000	<i>£'000</i>	£'000	<i>£'000</i>
Operating income and receipts – excess AR	7	-	-	13,152	<i>8,628</i>
Non-operating income and receipts – excess AR	7	-	-	26	<i>26</i>
Subtotal		-	-	13,178	<i>8,654</i>
Other operating income and receipts not classified as AR	7	12,750	<i>12,750</i>	10,482	<i>26,419</i>
Other non-operating income and receipts not classified as AR		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	7	-	-	-	-
Total	41	12,750	<i>12,750</i>	23,660	<i>35,073</i>



6 Non-cash items

	Note	2003-04 £'000	2002-03 £'000
Administration (excluding Ministers' salaries)	3.2	23,607	21,437
Administration (Ministers' salaries)	2.1	-	25
		23,607	21,462
Programme	4	10,256	17,121
Other		-	-
Total		33,863	38,583

The programme non-cash items in 2003-04 of £10.256 million (2002-03 £17.121 million) comprises notional cost of capital charge in respect of programme assets £6.556 million, movements in provision (excluding amounts utilised in year) £1.487 million, other programme costs £1.958 million, programme depreciation £0.016 million and loss on disposal of fixed assets £0.239 million (2002-03 notional cost of capital £13.525 million, other programme costs £0.592 million, movements in provision £2.992 million and programme depreciation £0.012 million).

6.1 The total of non-cash transactions included in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 comprises:

	Note	2003-04 £'000	2002-03 £'000
Non-cash items (as above)		33,863	38,583
Less non-cash income			
- profit on sale of fixed assets	18	-	(2,976)
Other		-	-
Total non-cash transactions		33,863	35,607

6.2 The total of non-cash items included in the Reconciliation of Resources to Net Cash Requirement in Schedule 1 comprises:

	Note	2003-04 £'000	2002-03 £'000
Total non-cash transactions as above		33,863	35,607
Other		-	-
Non-cash items per Reconciliation of Resources to Net Cash Requirement		33,863	35,607



7 Income and Accruing Resources

7.1 Operating Income

Operating income not Accruing Resources (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see Note 9). In 2003-04 all operating income not classified as Accruing Resources was within public expenditure.

Operating income analysed by classification and activity, is as follows:

	Note	2003-04			Total £'000	Accruing Resource £'000	2002-03	
		Accruing Resource £'000	Netted off Gross Expenditure £'000	Payable to Consolidated Fund £'000			Payable to Consolidated Fund £'000	Total £'000
Administration income:								
Allowable within administration cost limit		4	-	-	4	4	-	4
Fees and charges to external customers		653	-	-	653	625	-	625
Fees and charges to other Departments		-	-	-	-	-	-	-
Interest receivable		-	-	-	-	-	-	-
Profit on disposal of administration assets	18	-	-	-	-	-	-	-
Other	7a	37,573	-	302	37,875	40,086	467	40,553
		38,230	-	302	38,532	40,715	467	41,182
Programme income:								
EU receipts		-	-	7,374	7,374	-	3,567	3,567
Interest receivable		2,548	-	9	2,557	2,691	104	2,795
Profit on disposal of programme assets	18	-	-	-	-	822	2,154	2,976
Other	7b	326,914	-	15,949	342,863	23,478	43,609	67,087
	4	329,462	-	23,332	352,794	26,991	49,434	76,425
Total		367,692	-	23,634	391,326	67,706	49,901	117,607

7a Other administration Accruing Resources include:

- (i) CSA – Amounts received from DWP back office processing services carried out at the Belfast Benefits Centre and Paid Order Unit £22.630 million; and
- (ii) SSA – Recoveries from DWP, Seconded officer and miscellaneous receipts £14.943 million.

7b Other programme Accruing Resources include:

- (i) DSD Core – recoveries of SSP from damages awarded to previous claimants £0.007 million;
- (ii) Housing – £8.825 million additional receipts for long term loan recoverable, £170.938 million re: NIHE sales and £129.266 million interest reimbursements from NIHE.
- (iii) Urban Regeneration – CERS recoupment from IFI £0.288 million, CRISP recoupment from IFI £0.619 million, Victoria Square recoupment £12.836 million and Other clawback £0.100 million.
- (iv) SSA Benefits – Income from Income Support (IS) Non Pensioner £3.939 million, IS Other £0.027 million, JSA Non-contributory £0.059 million and JSA Contributory £0.010 million.

All of the interest receivable is external.

The above analysis is not disclosed for the purposes of SSAP 25.

An analysis of income from services provided to external and public sector customers is as follows:

	2003-04			2002-03		
	Income £'000	Full Cost £'000	Surplus/ (deficit) £'000	Income £'000	Full Cost £'000	Surplus/ (deficit) £'000
Income from external customers	653	645	8	625	669	(44)
Total	653	645	8	625	669	(44)



7.2 Non-Operating Income

Non-operating Accruing Resources

	Note	2003-04 Total £'000	2002-03 Total £'000
Proceeds of tangible fixed assets disposed of	18	35,333	9,153
Repayments of loans to other bodies	18	1,523	1,564
Total		36,856	10,717

Non-operating income not treated as Accruing Resources (Payable to Consolidated Fund)

	2003-04 Total £'000	2002-03 Total £'000
Repayments of loans to other bodies	26	-
Total	26	-

7.3 Reconciliation of Accruing Resources per Schedule 1 with Accruing Resources per Note 7

	Note	2003-04 £'000	2003-04 £'000	2002-03 £'000	2002-03 £'000
Accruing Resources per Note 7.1			367,692		67,706
NIF Administration costs (SSA)		27,810		27,210	
NIF Administration costs (DSD Core)		<u>2,100</u>		<u>1,890</u>	
	16		29,910		29,100
NIF Contributory Benefits	12		14,451		-
NIF Accruing Resources	12		(10)		(2)
Accruing Resources per Schedule 1			412,043		96,804

8 Administration costs limits

The outturn shown against individual administration cost limits is as follows:

	2003-04		2002-03	
	Net Outturn £'000	Limits £'000	Net Outturn £'000	Limits £'000
Request for Resources A	209,875	221,209	194,290	202,573
Request for Resources B	2,155	2,474	1,645	2,231
Request for Resources C	8,908	9,717	6,970	8,002
Total per Schedule 2	220,938	233,400	202,905	212,806



9 Reconciliation of net operating cost to net resource outturn

	Note	2003-04 £'000	2002-03 £'000
Net operating cost		4,151,060	4,232,341
Less:			
non-supply expenditure	9.1, 11	(1,455,030)	(1,399,961)
AR not treated as income – funding from NIF to cover Administration costs	16	(29,910)	(29,100)
Excess of Social Fund grant to operating cost expenditure		1,712	277
Operating income not classified as AR		23,634	49,901
Net resource outturn		2,691,466	2,853,458

Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net resources outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate. The outturn against the estimate is shown in the Summary of Resource Outturn (Schedule 1).

9.1 Non-supply expenditure

	Note	2003-04 £'000	2002-03 £'000
Contributory benefits (gross)	12	1,454,218	1,399,017
NIF write-offs and movement on debt provision	17	822	946
Total gross non-supply expenditure	4	1,455,040	1,399,963
Contributory benefits – Accruing Resources	12	(10)	(2)
Total net non-supply expenditure	9	1,455,030	1,399,961

The NIF write-offs consist of Movement in provision for doubtful debt £0.241 million, together with bad debts written off of Incapacity benefits £0.333 million, Pension benefits £0.160 million and Other £0.088 million.

10 Analysis of net operating cost by spending body

This Note analyses funding by the Department to the relevant spending body.

	2003-04		2002-03	
	Budget £'000	Outturn £'000	Budget £'000	Outturn £'000
Core Department (RHSSG and URCDG)	2,485,911	2,429,455	2,685,164	2,588,164
Social Security Agency	162,082	182,942	147,179	171,127
Child Support Agency	17,323	14,534	15,880	12,932
National Insurance Fund	1,486,505	1,455,030	1,428,906	1,399,961
Social Fund	70,377	69,099	63,802	60,157
Total	4,222,198	4,151,060	4,340,931	4,232,341



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement

	Admin £'000	Other Current £'000	Current Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared With Estimate £'000
2003-04								
Request for Resources A (RfR A)								
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:								
Departmental Expenditure in DEL								
Social Security Agency	177,952	12,772	4	190,728	(30,533)	160,195	167,064	6,869
Belfast Benefit Centre	11,405	-	-	11,405	(10,878)	527	785	258
Paid Order Unit	3,866	-	-	3,866	(3,620)	246	281	35
Belfast Child Support Agency Centre	22,630	-	-	22,630	(22,630)	-	-	-
Child Support Agency for Northern Ireland	14,281	-	-	14,281	(4)	14,277	16,703	2,426
Annually managed expenditure								
Non-contributory and means-tested benefits:								
- Pension benefits	-	-	3,060	3,060	-	3,060	2,970	(90)
- Disability benefits	-	-	818,312	818,312	-	818,312	818,044	(268)
- Industrial injuries benefits	-	-	24,620	24,620	-	24,620	22,485	(2,135)
- Income support for the elderly/Pension credit	-	-	238,886	238,886	-	238,886	239,334	448
Income support - non- Pensioners and Jobseeker's allowance:								
- Income support – non-pensioners	-	-	490,560	490,560	(3,966)	486,594	494,841	8,247
- Jobseeker's allowance (income based)	-	-	86,823	86,823	(59)	86,764	95,942	9,178
- Jobseeker's allowance (contribution based)	-	-	14,451	14,451	(14,451)	-	-	-
Job grant	-	-	142	142	-	142	410	268
Grants to voluntary bodies								
– social security	-	-	7,206	7,206	-	7,206	7,561	355



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin	Other	Current	Gross	Accruing	NET	Net total	
	£'000	Current	Grants	Resource	Resources	TOTAL	Estimate	Compared
	£'000	£'000	£'000	Expenditure	£'000	£'000	£'000	With
				£'000				Estimate
								£'000
Housing benefit (rent)	-	-	312,491	312,491	-	312,491	307,651	(4,840)
Discretionary housing payments	-	-	1,038	1,038	-	1,038	1,142	104
Compensation payments to providers of existing support accommodation	-	-	-	-	-	-	1	1
Non-Budget								
Housing benefit (rates)	-	-	39,232	39,232	-	39,232	38,800	(432)
Payments into the Social Fund (Regulated)	-	-	7,119	7,119	-	7,119	6,533	(586)
Payments into the Social Fund in respect of Winter Fuel Payments	-	-	47,125	47,125	-	47,125	48,975	1,850
Payments into the Social Fund (Discretionary)	-	-	14,855	14,855	-	14,855	14,869	14
Payments into the Northern Ireland National Insurance Fund	-	-	33,480	33,480	(7)	33,473	33,460	(13)
Notional Charges	17,798	-	-	17,798	-	17,798	19,161	1,363
Total	247,932	12,772	2,139,404	2,400,108	(86,148)	2,313,960	2,337,012	23,052



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin	Other Current	Current Grants	Gross Resource Expenditure	Accruing Resources	NET TOTAL	NET Estimate	Net total Outturn Compared With Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2003-04 Request for Resources B (RfR B)								
Promoting measurable improvements to housing in Northern Ireland:								
Departmental Expenditure in DEL								
Assistance to the voluntary housing movement	-	-	77,471	77,471	(8,577)	68,894	84,038	15,144
Housing - other expenditure	1,820	834	701	3,355	-	3,355	3,553	198
Housing grants to the NI Housing Executive	-	-	338,290	338,290	(171,147)	167,143	168,103	960
Renovation grants and group repair of dwellings	-	-	41,185	41,185	-	41,185	41,135	(50)
Interest Payments on Housing Loans	-	-	131,853	131,853	(131,853)	-	-	-
Executive Programme Funds	-	-	158	158	-	158	158	-
Annually managed expenditure								
Supporting People (Transitional Housing Benefit funding element)	-	-	34,515	34,515	-	34,515	35,192	677
Non-Budget								
Other expenditure	-	-	-	-	-	-	44	44
Notional Charges	335	-	-	335	-	335	479	144
Total	2,155	834	624,173	627,162	(311,577)	315,585	332,702	17,117



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Other Admin £'000	Current Current £'000	Current Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	NET TOTAL £'000	NET Estimate £'000	Net total Outturn Compared With Estimate £'000
2003-04								
Request for Resources C (RfR C)								
Tackling disadvantage amongst individuals, communities and neighbour-hoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:								
Department Expenditure in DEL								
Urban Regeneration	6,555	2,899	25,547	35,001	(14,318)	20,683	27,795	7,112
Community and Voluntary Sector funding	957	24	10,010	10,991	-	10,991	11,965	974
Gap/Interim funding for voluntary and community sector between EU programmes	-	-	-	-	-	-	1	1
EU Peace & Reconciliation Programme	-	-	8,961	8,961	-	8,961	13,424	4,463
ERDF – grants to district councils, community groups and the private sector	-	-	1,772	1,772	-	1,772	1,793	21
Executive Programme Funds	242	415	3,250	3,907	-	3,907	4,408	501
Community Initiatives	-	-	1,166	1,166	-	1,166	2,341	1,175
Grants to Laganside	-	-	6,191	6,191	-	6,191	6,965	774
Integrated Development Fund	-	-	-	-	-	-	-	-
Annually managed expenditure								
Urban Regeneration/Community Development								
Non-cash items	79	5,479	932	6,490	-	6,490	8,293	1,803
Non-Budget								
Grants to ILEX	-	-	210	210	-	210	200	(10)
Notional Charges	1,550	-	-	1,550	-	1,550	1,544	(6)
Total	9,383	8,817	58,039	76,239	(14,318)	61,921	78,729	16,808
Resource Outturn	259,470	22,423	2,821,616	3,103,509	(412,043)	2,691,466	2,748,443	56,977



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Current Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	NET TOTAL £'000	NET Estimate £'000	Net total Outturn Compared With Estimate £'000
2003-04								
Resource Outturn	259,470	22,423	2,821,616	3,103,509	(412,043)	2,691,466	2,748,443	56,977
Non-supply expenditure (net)						1,455,030	1,486,505	31,475
NIF administration costs						29,910	-	(29,910)
Excess of Social Fund grant to operating cost expenditure						(1,712)	-	1,712
Operating income not classified as AR						(23,634)	(12,750)	10,884
Income netted off in gross sub-head grossed up in Operating Cost Statement						-	-	-
Net operating cost						4,151,060	4,222,198	71,138

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

The DFP requires this cost to be separately identified at the bottom of this table and the financing at the top of the Cash Flow Statement in Schedule 4.



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin	Other	Current	Gross	Accruing	NET	NET	Net total
	£'000	Current	Grants	Resource	Resources	TOTAL	Estimate	Outturn
	£'000	£'000	£'000	Expenditure	£'000	£'000	£'000	Compared
				£'000				with
								Estimate
								£'000
2002-03								
Request for Resources A (RfR A)								
Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:								
Departmental Expenditure in DEL								
Central administration	10,658	9,979	4	20,641	(1,937)	18,704	19,022	318
Social Security Agency	151,874	449	-	152,323	(27,532)	124,791	125,023	232
Belfast Benefit Centre	10,961	-	-	10,961	(10,954)	7	-	(7)
Paid Order Unit	5,134	-	-	5,134	(4,958)	176	204	28
Belfast Child Support Agency Centre	23,982	-	-	23,982	(23,982)	-	-	-
Child Support Agency for Northern Ireland	12,035	-	-	12,035	(4)	12,031	13,645	1,614
Annually managed expenditure								
Non-contributory and means-tested benefits:								
- Pension benefits	-	-	2,951	2,951	-	2,951	2,803	(148)
- Disability benefits	-	-	776,192	776,192	-	776,192	783,500	7,308
- Industrial injuries benefits	-	-	24,336	24,336	-	24,336	24,370	34
- Income support for the elderly	-	-	225,443	225,443	-	225,443	226,700	1,257
- Family benefits	-	-	306,277	306,277	-	306,277	309,300	3,023
Income support - non-Pensioners and Jobseeker's allowance:								
- Income support - non pensioners	-	-	465,774	465,774	(3,901)	461,873	469,400	7,527
- Jobseeker's allowance (income based)	-	-	90,331	90,331	(57)	90,274	101,096	10,822
- Jobseeker's allowance (contribution based)	-	-	13,960	13,960	(13,960)	-	-	-
Job grant	-	-	178	178	-	178	410	232



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin	Other	Current	Gross	Accruing	NET		Net total
	£'000	Current	Grants	Resource	Resources	TOTAL	Estimate	Outturn
	£'000	£'000	£'000	Expenditure	£'000	£'000	£'000	Compared
				£'000				with
								Estimate
								£'000
Grants to voluntary bodies – social security	-	-	6,522	6,522	-	6,522	6,969	447
Housing benefit (rent)	-	-	305,034	305,034	-	305,034	311,599	6,565
Discretionary rent allowance	-	-	-	-	-	-	1	1
Discretionary housing payments	-	-	1,092	1,092	-	1,092	1,141	49
Compensation payments to providers of existing support accommodation	-	-	-	-	-	-	1	1
Non-cash items in RfR A	20,171	-	2,822	22,993	-	22,993	28,866	5,873
Other expenditure								
Housing benefit (rates)	-	-	35,498	35,498	-	35,498	36,100	602
Payments into the Social Fund (Regulated)	-	-	6,030	6,030	-	6,030	6,338	308
Payments into the Social Fund in respect of Winter Fuel Payments	-	-	41,654	41,654	-	41,654	44,475	2,821
Payments into the Social Fund (Discretionary)	-	-	12,473	12,473	-	12,473	12,989	516
Payments into the Northern Ireland National Insurance Fund	-	-	19,596	19,596	(22)	19,574	19,446	(128)
Loss on asset disposals	209	-	-	209	-	209	175	(34)
Total	235,024	10,428	2,336,167	2,581,619	(87,307)	2,494,312	2,543,573	49,261



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin	Other	Current	Gross	Accruing	NET		Net total
	£'000	Current	Grants	Resource	Resources	TOTAL	Estimate	Outturn
	£'000	£'000	£'000	Expenditure	£'000	£'000	£'000	Compared
				£'000				with
								Estimate
								£'000
2002-03								
Request for Resources B (RfR B)								
Promoting measurable improvements to housing in Northern Ireland:								
Departmental Expenditure in DEL								
Central administration	1,698	-	-	1,698	-	1,698	1,768	70
Assistance to the voluntary housing movement	-	-	76,439	76,439	(7,171)	69,268	73,765	4,497
Housing - other expenditure	-	635	672	1,307	-	1,307	1,347	40
Housing grant to the NI Housing Executive Executive Programme Funds	-	-	182,461	182,461	-	182,461	182,461	-
Infrastructure/ Reinvestment and Reform Initiative	-	-	150	150	-	150	150	-
	-	-	500	500	-	500	500	-
Annually managed expenditure								
Non-cash items in RfR B	(58)	-	4,675	4,617	-	4,617	4,910	293
Other expenditure								
Renovation grants and group repair of dwelling	-	-	43,000	43,000	-	43,000	43,000	-
Other expenditure	-	-	19	19	-	19	35	16
Loss on asset disposals	5	-	-	5	-	5	3	(2)
Total	1,645	635	307,916	310,196	(7,171)	303,025	307,939	4,914



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Current Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared With Estimate £'000
2002-03								
Request for Resources C (RfR C)								
Tackling disadvantage amongst individuals, communities and neighbour-hoods, with particular emphasis on greatest need and encouraging, developing and supporting community development:								
Department Expenditure in DEL								
Central administration	6,208	400	-	6,608	(447)	6,161	6,617	456
Urban regeneration	-	13,069	12,829	25,898	(1,056)	24,842	27,433	2,591
Grants to voluntary bodies	-	-	7,762	7,762	-	7,762	7,867	105
Gap funding for voluntary and community sector between EU programmes	-	-	1,359	1,359	-	1,359	1,201	(158)
EU Peace & Reconciliation Programme	-	-	2,196	2,196	-	2,196	8,000	5,804
ERDF - grants to district councils, community groups and the private sector	-	-	554	554	-	554	2,738	2,184
European Social Fund - grants to community groups	-	-	-	-	-	-	1	1
Executive Programme Funds	75	13	366	454	-	454	3,964	3,510
Community Initiatives	-	-	358	358	-	358	557	199
Annually managed expenditure								
Non-cash items in RfR C	1,135	556	11,434	13,125	-	13,125	14,112	987
Other expenditure								
Capital grant to Laganside	-	-	85	85	-	85	85	-
ERDF – grants to statutory bodies	-	-	-	-	-	-	1	1
EU Peace & Reconciliation Programme – grants to statutory bodies	-	-	-	-	-	-	1	1
Loss on disposal of assets	-	-	48	48	(823)	(775)	(1)	774
Total	7,418	14,038	36,991	58,447	(2,326)	56,121	72,576	16,455
Resource Outturn	244,087	25,101	2,681,074	2,950,262	(96,804)	2,853,458	2,924,088	70,630



11 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement (continued)

	Admin £'000	Other Current £'000	Current Grants £'000	Gross Resource Expenditure £'000	Accruing Resource £'000	NET TOTAL £'000	Estimate £'000	Net total Outturn Compared with Estimate £'000
2002-03								
Resource Outturn	244,087	25,101	2,681,074	2,950,262	(96,804)	2,853,458	2,924,088	70,630
Non-supply expenditure (net)						1,399,961	1,428,906	28,945
NIF administration costs						29,100	-	(29,100)
Excess of Social Fund grant to operating cost expenditure						(277)	-	277
Operating income not classified as AR						(49,901)	(12,063)	37,838
Net operating cost						4,232,341	4,340,931	108,590

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

The DFP requires this cost to be separately identified at the bottom of this table and the financing at the top of the Cash Flow Statement in Schedule 4.



12 Contributory benefit expenditure paid from the National Insurance Fund

	Note	2003-04			2002-03		
		Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Pension benefits							
Retirement pension							
- basic element		924,451	-	924,451	868,862	-	868,862
- additional component		157,898	-	157,898	160,539	-	160,539
Christmas bonus		3,283	-	3,283	3,280	-	3,280
Widow's benefit							
- basic element		22,367	-	22,367	23,723	-	23,723
- additional component		5,934	-	5,934	6,424	-	6,424
- widow's payment		4,593	-	4,593	4,869	-	4,869
Unemployment, Invalidation and Sickness Benefits.		(64)	-	(64)	(76)	-	(76)
Unemployment, incapacity and other benefits							
Jobseeker's Allowance – Contributions Based		14,451	(10)	14,441	13,960	(2)	13,958
Incapacity Benefit							
- basic element		304,158	-	304,158	299,818	-	299,818
- additional component		13,699	-	13,699	15,564	-	15,564
Family benefits							
Maternity Allowance		3,448	-	3,448	1,979	-	1,979
Guardian's Allowance and Child's Special Allowance		-	-	-	75	-	75
Total	7.3, 9.1	1,454,218	(10)	1,454,208	1,399,017	(2)	1,399,015



13 Non-contributory benefit expenditure

	2003-04			2002-03		
	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Pension benefits						
Non-contributory retirement pension	1,964	-	1,964	1,972	-	1,972
Christmas bonus	1,096	-	1,096	979	-	979
Disability allowance						
Attendance allowance	180,529	-	180,529	176,748	-	176,748
Invalid care allowance	81,001	-	81,001	79,211	-	79,211
Severe disablement allowance	41,188	-	41,188	41,982	-	41,982
Disability living allowance	515,588	-	515,588	478,252	-	478,252
Disability working allowance	(1)	-	(1)	(3)	-	(3)
Miscellaneous Diseases Scheme	7	-	7	2	-	2
Industrial injuries benefits	24,620	-	24,620	24,336	-	24,336
Income support for the elderly	238,886	-	238,886	225,443	-	225,443
Family benefits						
Child benefit	-	-	-	306,101	-	306,101
Family credit	4	-	4	3	-	3
Child Support Maintenance bonus	121	-	121	173	-	173
Income support - non-pensioners and Jobseeker's Allowance						
Income support (non-pensioners)	490,560	(3,966)	486,594	465,774	(3,901)	461,873
Jobseeker's allowance (income based)	85,231	(59)	85,172	90,071	(57)	90,014
Jobseeker's allowance (contribution based)	-	-	-	13,960	(13,960)	-
Back to work bonus	268	-	268	438	-	438
Total	1,661,062	(4,025)	1,657,037	1,905,442	(17,918)	1,887,524



14 Statutory benefits

	2003-04			2002-03		
	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP)	33,480	(7)	33,473	19,596	(22)	19,574
Total	33,480	(7)	33,473	19,596	(22)	19,574

15 Other social grants and disbursements

	2003-04			2002-03		
	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000
Grants to independent bodies						
Independent living funds	6,611	-	6,611	5,716	-	5,716
Motability	594	-	594	806	-	806
Housing benefit						
Rent rebate	169,544	-	169,544	172,778	-	172,778
Rent allowances	142,788	-	142,788	132,255	-	132,255
Rates	39,232	-	39,232	35,498	-	35,498
Discretionary rent allowances	-	-	-	-	-	-
Discretionary Housing Payments	1,038	-	1,038	1,092	-	1,092
New deal - lone parents	-	-	-	-	-	-
Social Fund disbursements						
Funeral payments	2,020	-	2,020	1,778	-	1,778
Cold weather payments	620	-	620	258	-	258
Maternity payments	4,633	-	4,633	4,232	-	4,232
Community care grants	11,733	-	11,733	10,802	-	10,802
Winter fuel payments	48,120	-	48,120	42,616	-	42,616
Budgeting loans, Crisis loans and Funeral payment transfers to GB	261	-	261	194	-	194
Total	427,194	-	427,194	408,025	-	408,025



16 National Insurance Fund administration

	Note	2003-04 £'000	2002-03 £'000
NIF Administration costs incurred by the Department		29,910	29,100
Total	7.3,9 & 11	29,910	29,100

Costs incurred by other government Departments are reimbursed from the NIF.

17 Programme overheads

	Note	2003-04 £'000	2002-03 £'000
Increase in provision for doubtful debt	17.1	2,858	7,710
Programme debt written off	17.2	6,493	9,302
Other programme overheads	17a	4,697	2,211
Total		14,048	19,223
Non-contributory programme overheads	4	13,226	18,277
Contributory programme overheads	9.1	822	946
Total		14,048	19,223

17.1 Movement in provision for doubtful debt

The movement in the provision for doubtful debt consists of a movement in the provisions for debt relating to the overpayments of the following:

	Note	2003-04 £'000	2002-03 £'000
Contributory benefits	9.1	241	492
Non-contributory benefits		2,639	4,172
Social Fund payments		(88)	(316)
Other programme		66	3,362
Total	17	2,858	7,710



17.2 Bad debts written off

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

	Note	2003-04 £'000	2002-03 £'000
Contributory benefits			
Pension benefits	9.1	160	184
Incapacity benefits	9.1	333	194
Other	9.1, 17b	88	76
Non-contributory benefits			
Disability benefit		517	977
Income support		2,756	5,218
Family benefits		1	101
Other	17c	348	386
Social Fund			
Funeral grant		2,123	2,051
Other	17d	167	115
Total		6,493	9,302

- 17a Other programme overheads include wages and salaries paid to the Construction Housing Advisory Unit. It also includes all expenditure relating to the Rent Assessment Panel, i.e. wages and salaries and all other administration costs.
- 17b Other contributory benefits include Unemployment Benefit, Sickness Benefit, Invalidity Benefit, and JSA (C).
- 17c Other non-contributory benefits include Industrial Injuries, IIB Disablement Benefit and JSA (NC).
- 17d Other Social Fund includes Budgeting Loans and Crisis Loans.



18 Analysis of capital expenditure, financial investment and associated Accruing Resources

	2003-04			2002-03			
		Capital	Net	Capital		Net	
	Note	Expenditure £'000	Investments £'000	Total £'000	Expenditure £'000	Investments £'000	Total £'000
Request for Resources A		8,796	-	8,796	4,382	-	4,382
Request for Resources B		8	-	8	25	-	25
Request for Resources C		44,855	-	44,855	2,220	-	2,220
Total (on an accruals basis)		53,659	-	53,659	6,627	-	6,627
Adjustment for prior year capital additions		2	-	2	(813)	-	(813)
Additions per fixed asset note	19	53,661	-	53,661	5,814	-	5,814
Total (on an accruals basis)		53,659	-	53,659	6,627	-	6,627
Assets bought by DHSSPS on DSD's behalf		(51)	-	(51)	(53)	-	(53)
Opening fixed asset accruals		161	-	161	-	-	-
Closing fixed asset accruals		-	-	-	(161)	-	(161)
Total cash payments (per Schedule 4)		53,769	-	53,769	6,413	-	6,413
Adjustment for prior year capital additions		2	-	2	(813)	-	(813)
Total cash payments (per Schedule 1)		53,771	-	53,771	5,600	-	5,600
Accruing Resources							
Net Book Value of assets disposed of		(35,572)	-	(35,572)	(6,439)	-	(6,439)
Profits on disposal (Administration assets)		-	-	-	-	-	-
Profits on disposal (Programme assets)		-	-	-	(2,976)	-	(2,976)
Losses on disposal (Administration assets)	3.2	-	-	-	214	-	214
Losses on disposal (Programme assets)	4	239	-	239	48	-	48
Loan receipts	7.2	-	(1,523)	(1,523)	-	(1,564)	(1,564)
Total (on an accruals basis)	7.2	(35,333)	(1,523)	(36,856)	(9,153)	(1,564)	(10,717)
Opening fixed asset disposal accrued income		(5,719)	-	(5,719)	-	-	-
Closing fixed asset disposal accrued income		902	-	902	5,719	-	5,719
Total cash receipts (per Schedule 4)		(40,150)	(1,523)	(41,673)	(3,434)	(1,564)	(4,998)
Total		13,621	(1,523)	12,098	2,166	(1,564)	602

The above items represent the cash flow for the year in respect of the Department's capital expenditure, financial investment and associated Accruing Resources.

The interest from loans made by the Department is shown as investment income in the Operating Cost Statement. Interest received is paid over to the Consolidated Fund.



19 Tangible fixed assets

	Land & Buildings £'000	Computer Equipment £'000	Other Equipment £'000	Total £'000
Cost or valuation				
At 1 April 2003	100,841	9,586	1,311	111,738
Adjustments to opening balances	-	(5)	2	(3)
Additions	44,823	8,675	163	53,661
Transfers in	220	-	-	220
Disposals	(35,504)	(796)	(46)	(36,346)
Upward Revaluations	27,081	-	4	27,085
Downward Revaluations	(1,958)	(593)	(4)	(2,555)
At 31 March 2004	135,503	16,867	1,430	153,800
Accumulated depreciation				
At 1 April 2003	3,447	3,941	931	8,319
Adjustments to opening balances	-	(2)	1	(1)
Charged in year	587	1,820	150	2,557
Disposals	(20)	(708)	(46)	(774)
Upward Revaluations	413	-	3	416
Downward Revaluations	(859)	(272)	(3)	(1,134)
At 31 March 2004	3,568	4,779	1,036	9,383
Net book value				
At 31 March 2004	131,935	12,088	394	144,417
At 31 March 2003	97,394	5,645	380	103,419
Asset Financing at 31 March 2004				
Owned	129,650	12,088	394	142,132
Capitalised leasehold	2,285	-	-	2,285
Net book value at 31 March 2004	131,935	12,088	394	144,417

The net book value of land and building comprise:

	2003-04 £'000	2002-03 £'000
Freehold	129,650	95,059
Long leaseholds	2,285	2,335
Total	131,935	97,394



19 Tangible fixed assets (continued)

Freehold land and buildings were revalued during the year. The next revaluation will be carried out before 1 April 2008 in line with accounting policy note 1.3. Other tangible assets were revalued on the basis of the latest available indices.

Included in the Fixed Asset "transfers in" is £0.220 million, which relates to the transfer of the Water Service car park from the Department of Regional Development (DRD) to the Department for Social Development (DSD). This is in accordance with Clause 6.1 of the Development Agreement signed between DSD and the Victoria Square Developer (AM Development UK Limited) on 23 October 2003 under which DSD had to deliver vacant possession of the Water Service car park by 29 February 2004 to allow the Developer access to the site. Title will not pass to the Developer until 2004-05 in accordance with Clause 4.3 of the agreement.

In order to comply with Clause 6.1 the Water Service car park transferred from the Water Service Agency within DRD to DSD in 2003-04. The accounting treatment for the transfer was agreed by DFP. The transfer of the asset has been treated as a non-cash technical transfer valued at £0.220 million, and has been accounted for on the same basis in both the DRD and DSD Resource Accounts. DSD have debited Fixed Assets "Transfers In" (Note 19) and credited General Fund "Fixed Assets transferred from DRD to DSD" (Note 36). An adjustment has also been made to the Net Cash Requirement in Schedule 1.



20 Investments

	2003-04	2002-03
	£'000	£'000
Balance at 1 April 2003	24,418	25,982
Repayments	(1,549)	(1,564)
Revaluations	-	-
Balance at 31 March 2004	22,869	24,418

Investments consist of Housing loans.



21 Debtors

21.1 Amounts falling due within one year

		2003-04			2002-03		
		Gross	Provision	Net debtors	Gross	Provision	Net debtors
	Note	debtors	for doubtful		debtors	for doubtful	
		£'000	debt	£'000	£'000	debt	£'000
Administration							
Trade debtors		86	-	86	59	-	59
VAT		2,423	-	2,423	1,572	-	1,572
Deposits and advances		50	-	50	55	-	55
Prepayments and accrued income		4,939	-	4,939	714	-	714
Inter-Departmental debtor with DHSSPS	22.2	-	-	-	759	-	759
Consolidated Fund debtor for cash undrawn	36	-	-	-	-	-	-
Other administration debtors	21.1c	270	-	270	998	-	998
Programme							
Benefit overpayments							
- Contributory benefits		374	(50)	324	631	(102)	529
- Non-contributory benefits		3,738	(693)	3,045	4,755	(149)	4,606
- Social Fund		12	-	12	29	-	29
Benefit prepayments							
- Contributory benefits		7,631	-	7,631	9,124	-	9,124
- Non-contributory benefits		6,728	-	6,728	7,938	-	7,938
Social Fund loans							
- Funeral loans		68	-	68	62	-	62
- Other loans	21.1a	26,871	-	26,871	26,040	-	26,040
NIF Debtor		5,954	-	5,954	35,207	-	35,207
Interest receivable		-	-	-	93	-	93
Consolidated Fund debtor for cash undrawn	36	33,212	-	33,212	17,129	-	17,129
Prepayments and accrued income		367	-	367	98	-	98
NIHE debtor	21.1d	84,182	-	84,182	-	-	-
Other programme debtors	21.1b 21.1c	99,009	(3,703)	95,306	69,028	(3,400)	65,628
Total debtors falling due within one year		275,914	(4,446)	271,468	174,291	(3,651)	170,640



21.1a Other Social Fund loans consist of Budgeting Loans £20.666 million and Crisis Loans £6.205 million.

21.1b Other programme debtors consist of:

- (i) Housing: Loan interest receivable £1.230 million, housing grants repayable as a result of equity sales £0.815 million, NIHE £2.542 million, other housing grants recoverable £3.918 million, prepayment £0.009 million, Housing Association Grants prepayments £15.253 million, vesting orders recoverable £0.062 million and disposal proceeds fund recoverable £0.775 million;
- (ii) Urban Regeneration: EU Debtors £23.216 million, Clawback £0.379 million, SEUPB Debtor £7.287 million, Other Debtors £0.593 million, Land sale Debtors £0.902 million, Other land sale Debtors £33.250 million and Bad Debt Provision (£3.437 million);
- (iii) DSD Core: Vote E prepayments £7.5 million; and
- (iv) SSA Benefits: Child Support Agency £0.361 million, Overseas Governments £0.056 million, Motability £0.070 million, others £0.054 million, Compensation Recovery Unit £0.737 and Bad Debt Provision (£0.266 million).

21.1c Included within Other debtors is £28.163 million (2002-03 £39.576 million) that will be due to the Consolidated Fund once the debts are collected.

21.1d NIHE loans with DFP of £84.182 million are shown in the DSD Balance Sheet. There is a debtor from NIHE and corresponding creditor to DFP (Consolidated Fund).



21.2 Amounts falling due after more than one year

		2003-04			2002-03		
		Gross	Provision	Net debtors	Gross	Provision	Net debtors
Note	£'000	debtors	for doubtful	£'000	debtors	for doubtful	£'000
		£'000	debt	£'000	£'000	debt	£'000
Programme							
Benefit overpayments							
- Contributory benefits		2,034	(835)	1,199	1,791	(646)	1,145
- Non-contributory benefits		34,968	(15,271)	19,697	33,268	(13,561)	19,707
Social Fund loans							
- Funeral loans		4,272	(2,278)	1,994	3,912	(2,371)	1,541
- Other loans	21.2a	16,240	(179)	16,061	14,882	(175)	14,707
NIHE debtor	21.2c	1,258,053	-	1,258,053	-	-	-
Other programme debtors	21.2b	12,066	-	12,066	-	-	-
Total debtors falling due after more than one year		1,327,633	(18,563)	1,309,070	53,853	(16,753)	37,100
Total debtors				1,580,538	207,740		

21.2a Other Social Fund loans consist of Budgeting Loans £8.970 million and Crisis Loans £7.091 million.

21.2b Other programme debtors consist of :
(i) Urban Regeneration: Land sale Debtors £12.066 million.

Included in other programme debtors is a debtor which relates to the Victoria Square Development Scheme. This is in accordance with Clause 4.4 of the Development Agreement signed between the Department of Social Development (DSD) and the Victoria Square Developer (AM Development UK Limited) on 23 October 2003 under which the Developer would purchase the vested properties from DSD. The subsequent Vesting Order was made by DSD on 7 November 2003.

In accordance with clause 4.4 of the Development Agreement relating to the Vested Properties "... the developer will become liable to make the payments to DSD by way of indemnity for the compensation and disturbance liabilities of DSD at such time as the vesting order and road closure order have been made and are beyond effective challenge..." As both the Vesting Order and Road Closure Order are now beyond effective challenge the income from the Developer in relation to the sale of the Vested Properties has been recognised in 2003-04.



Potential debt – Compensation Recovery Unit (SSA)

Debt will only be recognised in the Balance Sheet at the point at which a settlement is notified to the Compensation Recovery Unit by the compensator. For benefit recoveries, this needs to be shown on the Programme Balance Sheet.

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

As an indication of the cash generated from this income stream for the SSA for the year to 31 March 2004, £7.557 million, on an annualised basis has been included in the Operating Cost statement as a reduction to Gross Expenditure. There is no information to suggest that this level of cash generation will differ significantly in the next financial year.

Potential debt – Debt Management Unit (SSA)

Vote and NIF overpayment debt in the Debt Management Unit is recognised on the Balance Sheet when it has been adjudicated upon. If debt is determined to be irrecoverable, this is immediately written off, while recoverable debt becomes part of the outstanding debtor balance.

At the year end cases exist in the adjudication sections of district offices which could potentially become recoverable debt. An estimate of the recoverable debt element of the unadjudicated cases at 31 March 2004 is £1.135 million.

- 21.2c** NIHE loans with DFP of £1,258.053 million are shown in the DSD Balance Sheet. There is a debtor from NIHE and corresponding creditor to DFP (Consolidated Fund).



22 Cash at bank and in hand

22.1 Cash with paying agents

	2003-04 £'000	2002-03 £'000
Post Office Counters Ltd	12,774	26,460
Girobank	-	9,138
Balance at 31 March	12,774	35,598

22.2 Cash at bank and in hand

	Note	2003-04 £'000	2002-03 £'000
Balance at 1 April		(9,623)	(189)
Net change in cash balances		(3,594)	(9,434)
Balance at 31 March		(13,217)	(9,623)

Balances at 31 March are held at:

		2003-04 £'000	2002-03 £'000
Commercial bank balances	23.1	(13,266)	(9,719)
Cash at bank and in hand		49	96
		(13,217)	(9,623)

The balance at 31 March comprises:

		2003-04 £'000	2002-03 £'000
Cash held by other government Departments			
Inter-Departmental balance with DHSSPS	23.1, 21.1	14	(759)
Inter-Departmental balance with DWP	23.1	1,633	757
Cash due to be paid to the Consolidated Fund			
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	23.1	18,348	7,508
Cash due to be received from the Consolidated Fund			
Consolidated Fund debtor for cash undrawn	21.1	(33,212)	(17,129)
		(13,217)	(9,623)

Bank balances are shown net of outstanding liabilities for instruments of payment due to be encashed against the Department's bank accounts.

The Department for Social Development (DSD) was established on 2 December 1999 in response to devolution. A number of functions of the former Department of Health and Social Services (DHSS), and the Department of the Environment (NI) (DOE) transferred to DSD. To facilitate the successful establishment of the new Department some elements of the former structures



were retained. This included the banking arrangements. With the exception of National Insurance Fund monies, the public funding and other receipts of DSD were lodged to a bank account, which was shared with the Department of Health and Social Services and Public Safety (DHSSPS).

In the Departmental Resource Account for 2001-02 this bank account, then called the DHSS Number One Account, was treated as belonging to DHSSPS, with the balance relating to DSD treated as an inter-Departmental creditor with DHSSPS. The bank account was renamed the DSD Number One Account in late March 2002 and from August 2002 DHSSPS receipts were lodged to a new account in that Department's name. The DSD Number One Account was then renamed the DSD General Account on 1 April 2003. Consequently in 2003-04 the balance on the DSD General Account has been treated as belonging to DSD, with the balance relating to DHSSPS treated as an inter-Departmental creditor with DHSSPS.



23 Creditors

23.1 Amounts falling due within one year

	Note	2003-04 £'000	2002-03 £'000
Administration			
Bank overdraft	22.2	13,266	9,719
Inter-Departmental creditor with DHSSPS	22.2	14	-
Inter-Departmental creditor with DWP	22.2	1,633	757
Superannuation			39
Early retirement		2	11
Consolidated fund extra receipts received and due to be paid to the consolidated fund	22.2	81	180
Consolidated fund extra receipts receivable and other due to be paid to the consolidated fund		1	-
Amounts issued from the consolidated fund for supply but not spent at year end	36	-	-
Accruals and deferred income		4,882	6,382
Other taxation and social security		7	26
Other administration creditors		1,505	377
Programme			
Benefit accruals:			
- Contributory benefits		17,917	17,060
- Non-contributory benefits		21,411	30,731
- Social Fund		31	153
Encashment control		14,170	27,599
Consolidated fund extra receipts received and due to be paid to the consolidated fund	22.2	18,267	46,904
Consolidated fund extra receipts receivable and other due to be paid to the consolidated fund		28,162	-
Amounts issued from the consolidated fund for supply but not spent at year end	36	-	-
EU grants accrual		2,014	521
NIHE creditor	23.1b	84,182	-
Other programme creditors	23.1a	94,722	24,900
Total creditors falling due within one year		302,267	165,359

23.1a Other programme creditors consist of:

- (i) Housing: Housing Association Grant £18.698 million, accruals for Voluntary Purchase Grants £4.297 million, Small Adaptation Grants £0.433 million, accruals for major repairs £0.367 million, and others £0.070 million;
- (ii) Urban Regeneration: Grant Accruals £11.363 million, Vested Land



creditor £46.670 million, Road Service creditor £0.519 million, Ilex £0.010 million, other creditors £0.165 million and sundry accruals of £4.036 million;

- (iii) DSD Core: Housing Benefit public sector rates accruals £0.048 million; and
- (iv) SSA Benefits: Third Party Control £1.317 million, Inland Revenue £0.110 million, Health Service £0.588 million, Inter-Govt £0.035 million, DEL £0.543 million, Girobank £5.157 million, sundry creditors £0.282 million and Overseas Government creditors £0.014 million.

23.1b NIHE loans with DFP of £84.182 million are shown in the DSD Balance Sheet. There is a debtor from NIHE and corresponding creditor to DFP (Consolidated Fund). Included in this balance is a creditor of £1.338 million to Local Authorities.

23.2 Amounts falling due after more than one year

	Note	2003-04 £'000	2002-03 £'000
Programme			
NIHE Creditor	23.2a	1,258,053	-
Total creditors falling due after more than one year		1,258,053	-
Total creditors		1,560,320	165,359

23.2a NIHE loans with DFP of £1,258.053 million are shown in the DSD Balance Sheet. There is a debtor from NIHE and corresponding creditor to DFP (Consolidated Fund). Included in this balance is a creditor of £31.588 million to Local Authorities.



24 Provisions for liabilities and charges

	2003-04			2002-03				
	Administration	Programme	Total	Administration	Programme	Total		
	Note £'000	£'000	£'000	£'000	£'000	£'000		
Balance at 1 April		716	5,289	6,005	159	3,407	3,566	
Transferred to Creditors		-	-	-	-	(1,088)	(1,088)	
Provided in the year	217		5,436		5,653	708	4,896	5,604
Provisions not required written back	(32)		(3,949)		(3,981)	(151)	(1,791)	(1,942)
Unwinding of discount	-		-		-	-	(113)	(113)
	3.2, 4	185		1,487	1,672	557	2,992	3,549
Provisions utilised in the year		(151)		-	(151)	-	(22)	(22)
Balance at 31 March		750		6,776	7,526	716	5,289	6,005

Administration provisions include:

- (i) DSD Core: Personnel Provision £0.082 million and Early Departure costs £0.073 million;
- (ii) Urban Regeneration: Tribunal cases £0.036 million; and
- (iii) SSA: Equal Opportunities cases £0.362 million, Early Departure costs £0.075 million and Personal Injury cases £0.122 million.

Programme provisions include:

- (i) Housing: Voluntary Purchase Grants £3.349 million, Warm Homes Provisions £1.326 million and Small Adaptation Grants £0.683 million;
- (ii) Urban Regeneration: Public Liability cases £0.131 million; and
- (iii) SSA: Compensation Recovery Unit provisions on review and appeal £1.279 million and Retrospective Winter Fuel provision £0.008 million.



25 Movements in working capital other than cash

25.1 The movements in working capital used in the Reconciliation of Resources to Net Cash Requirement comprise:

	2003-04 £'000	2002-03 £'000
Decrease/(Increase) in cash with Paying Agents	22,824	(11,179)
Decrease in investments	-	-
(Increase) in debtors	(1,390,785)	(18,402)
Increase in creditors (amounts falling due within one year)	133,522	2,411
Total net increase in working capital other than cash	(1,234,439)	(27,170)
Adjustments:		
Movements in inter-Departmental balance with DHSSPS	773	-
Movements in inter-Departmental balance with DWP	876	-
Movements in working capital not related to net operating costs:		
- Amounts due to the Consolidated Fund	573	-
- Amounts receivable that will be due to the Consolidated Fund when received	11,413	-
- Other	19,384	41,322
Net (increase)/decrease in working capital other than cash recognised in Schedule 1	(1,201,420)	14,152

25.2 The movement in working capital used in the Cash Flow Statement comprise:

	2003-04 £'000	2002-03 £'000
Decrease/(Increase) in cash with Paying Agents	22,824	(11,179)
Decrease in investments	-	-
(Increase) in debtors	(1,390,785)	(18,402)
Increase in creditors (amounts falling due within one year)	133,522	2,411
Total net (increase)/decrease in working capital other than cash	(1,234,439)	(27,170)
Adjustments:		
Movements in working capital not related to voted resource consumption:		
- Amounts due to the Consolidated Fund	573	-
- Other	1,046	71,648
Net (increase)/decrease in working capital other than cash recognised in Schedule 4	(1,232,820)	44,478



25.3 The movements in creditors (amounts falling due after more than one year) used in the Reconciliation of Resources to Net Cash Requirement comprise:

	2003-04 £'000	2002-03 £'000
Increase in creditors (amounts falling due after more than one year)	1,258,053	2,250
Adjustments:		
Movements in creditors (amounts falling due after more than one year) not related to voted resource consumption (net)	-	(2,250)
Change in creditors falling due after more than one year per Schedule 1	1,258,053	-

25.4 The movements in creditors (amounts falling due after more than one year) used in the Cash Flow statement comprise:

	2003-04 £'000	2002-03 £'000
Increase in creditors (amounts falling due after more than one year)	1,258,053	2,250
Adjustments:		
Movements in creditors (amounts falling due after more than one year) not related to net operating costs	-	(2,250)
Change in creditors falling due after more than one year per Schedule 4	1,258,053	-

25.5 Transfer of Child Credit

The Social Security Agency had responsibility for payment of Child Benefit, Lone Parent Premium, and Guardian's Allowance until 31 March 2003. With effect from 1 April 2003 the responsibility for the payment of these benefits was transferred to the Inland Revenue (Treasury). In addition the Agency staff previously responsible for the administration of these benefits were also transferred to Inland Revenue on the same date. This transfer of function was a compulsory transfer sanctioned under the Tax Credits Act 2002. A similar transfer of function took place at the same time between the Department for Work and Pension (DWP) in Great Britain and the Inland Revenue.

As a result of the transfer of functions at the start of the financial year the respective balances relating to these benefits in the accounts at 31 March 2003 were transferred to the Inland Revenue for no consideration. The aggregate value of balances transferred was £7.608 million.

Accordingly these balances have been written off to the General Fund in the 2003-04 financial year (see Note 36) and the required adjustment shown in the Cash Flow Statement for the year ended 31 March 2004.



26 Reconciliation of net operating costs to changes in the general fund

	Note	2003-04 £'000	2002-03 £'000
Net operating cost for the year (Schedule 2)		(4,151,060)	(4,232,341)
Non AR income payable to the Consolidated Fund	7	(23,660)	(49,901)
		(4,174,720)	(4,282,242)
Net parliamentary funding – Drawn Down	36	2,583,887	2,785,431
Net parliamentary funding – Deemed Supply	36	-	-
Net funding from the National Insurance Fund	36	1,517,195	1,421,284
Transferred to General Fund of realised element of revaluation reserve	36	803	1,770
Consolidated fund creditor for cash unspent	36	-	-
Consolidated fund debtor for cash undrawn	36	33,212	17,129
Notional costs	36	26,994	32,279
Fixed Assets purchased by DHSSPS for DSD	36	51	53
Fixed Assets transferred from DRD to DSD	36	220	-
Agencies' Net Cash (Outflow)	36	(995)	(4,277)
Movement in inter-Departmental balance with DRD	36	-	(5,077)
Other	26a, 36	(20,599)	48,971
Net (decrease)/increase in general fund		(33,952)	15,321
General fund at 1 April		157,467	142,146
General fund at 31 March (Schedule 3)		123,515	157,467

The General Fund represents the historic costs of the assets employed by the Department in its operations.

26a Other movements consist of:

- (i) Urban Regeneration – sundry adjustments £0.027 million;
- (ii) SSA Benefits – Transfer of Child Benefit balances to Inland Revenue at 1 April 2003 £7.608 million and movement in NIF debtor balance (£29.253 million); and
- (iii) Other - adjustment to net vote funding £3.081 million, rounding (£0.003 million) and adjustment to opening balance (£2.059 million).



27 Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments: Disclosure*, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way Government Departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and its financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months have been omitted from the currency profile.

Liquidity Risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, as largely is its capital expenditure. It is not therefore exposed to significant liquidity risks.

Interest Rate Risk

100% of the Department's financial assets and liabilities carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk.

Interest Rate Profile

The following two tables show the interest rate and currency profiles of the Department's financial liabilities and assets.



Financial liabilities

Currency	Total £'000	Fixed rate Financial liabilities £'000	Non- interest bearing financial liabilities £'000	Fixed rate financial liabilities		Non- interest bearing financial liabilities
				Weighted average interest rate %	Weighted Average period for which rate is fixed Years	
						Weighted average period until maturity Years
At 31 March 2004						
Sterling	1,355,501	1,342,235	13,266	7.9%	30	-
Gross financial liabilities	1,355,501	1,342,235	13,266	7.9%	-	-
At 31 March 2003						
Sterling	9,719	-	9,719	-	-	-
Gross financial liabilities	9,719	-	9,719	-	-	-

Financial assets

Currency	Total (Note 1) £'000	Fixed rate financial Assets £'000	Non- interest bearing financial Assets £'000	Fixed rate financial assets		Non- interest bearing financial assets
				Weighted average interest rate %	Weighted Average period for which rate is fixed Years	
						Weighted average period until maturity Years
At 31 March 2004						
Sterling	1,377,927	1,365,104	12,823	7.95%	30	12.5
Gross financial assets	1,377,927	1,365,104	12,823	7.95%	30	12.5
At 31 March 2003						
Sterling	60,112	24,418	35,694	10.64%	30	12.5
Gross financial assets	60,112	24,418	35,694	10.64%	30	12.5

Note 1: the Department's non-interest bearing financial assets comprise cash with paying agents and cash at bank and in hand. This is available on demand.

Note 2: the gross financial assets and financial liabilities include the NIHE loans with DFP.

Foreign Currency Risk

The Department has no exposure to foreign currency risk.



Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities at 31 March 2004.

	Book value £'000	Fair value £'000	Basis of fair Valuation
Primary financial instruments			
Financial assets			
Cash with paying agents	12,774	12,774	
Cash at bank and in hand	49	49	
Housing loans	22,869	22,869	Note a
NIHE Debtor	1,342,235	1,342,235	
Financial liabilities			
NIHE Creditor	1,342,235	1,342,235	
Bank overdraft	13,266	13,266	

Note a – given the nature of the Housing loans, the reason for their existence and the Department's policy towards them, the fair value is not materially different from the book value.



28 Notes to Schedule 5

Schedule 5 provides an analysis of expenditure against the three objectives that underpin the Department's aim.

Administration expenditure has been apportioned to objectives in accordance with the Department's normal management accounting practices, wherever possible, or has been allocated in the same proportions as programme expenditure.

Programme grants and other current expenditure have been allocated as follows:

	2003-04 £'000	2002-03 £'000
Objective 1	3,587,008	3,728,339
Objective 2	300,278	261,426
Objective 3	42,836	39,671
Total	3,930,122	4,029,436

Capital Employed by Departmental Aim and Objectives

	2003-04 £'000	2002-03 £'000
Objective 1	78,075	93,297
Objective 2	13,763	30,241
Objective 3	100,963	76,369
Total	192,801	199,907

29 Capital commitments

	2003-04 £'000	2002-03 £'000
Contracted capital commitments at 31 March for which no provision has been made	58	-
Total	58	-



30 Commitments under leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

Operating leases	2003-04	2002-03
	Total	Total
	£'000	£'000
Obligations under operating leases comprise:		
Land & buildings		
- Expiry within one year	24	29
- Expiry within two to five years	28	26
- Expiry thereafter	554	735
Total	606	790
Other		
- Expiry within one year	62	121
- Expiry within two to five years	51	71
- Expiry thereafter	-	-
Total	113	192
Total obligations under operating leases	719	982

Other obligations under operating leases include leasing of office equipment £0.113 million.

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



31 Commitments under PFI contracts

The Department has entered into the following PFI contracts.

Off Balance Sheet

During the year 2001-02 the Agency entered into a PFI agreement for the provision of IT hardware and software solutions in relation to the processing of a number of benefits. The anticipated total rentals payable are over a 10 year period. The rentals are charged to the Operating Cost Statement over the period of the agreement. This agreement was renegotiated during 2003-04 resulting in a revised cost of £26.8 million, the rentals being charged at £2.872 million over the remaining eight years.

Charges to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-Balance Sheet PFI transactions was £2,872,000 (2002-03 £1,900,000); and the payments to which the Department is committed during 2003-04, analysed by the period during which the commitment expires, is as follows.

	2003-04	2002-03
	Total	Total
	£'000	£'000
- Expiry within one year	-	-
- Expiry within two to five years	-	-
- Expiry within six to ten years	2,872	1,900
Total	2,872	1,900

32 Government grant commitments

	2003-04	2002-03
	£'000	£'000
Government grant commitments at 31 March for which no provision has been made	102,447	59,503
Total	102,447	59,503



33 Contingent liabilities disclosed under FRS 12

CSA

From April 1995 the CSA has deferred some debt, which will not be recoverable from clients provided certain conditions have been met. This could result in the CSA taking over such debt from persons with care. The maximum potential liability at 31 March 2004 is £0.450 million, subject to all cases meeting the criteria. To date only £0.178 million has been paid out, and as a result it is deemed too soon to predict with any accuracy, the amount which may be compensated and therefore no provision has been made in the accounts this year.

There is one Industrial Tribunal case, which is being dealt with as at 31 March 2004 and the CSA may be liable to pay compensation depending on the decision made on each case. The estimated potential liability is less than £0.005 million.

There are no outstanding Health & Safety litigation cases as at 31 March 2004.

SSA

At 31 March 2004, there is a contingent liability of £0.200 million for interest payments for pension deficiency notices.

SSA Benefits

Following the suspension of Deficiency Notices from 1996-97 there is a significant number of people who are unaware of a possible shortfall in the level of their state pension. This was highlighted in 2003-04 and the Reinstatement of Deficiency Notices project was created to address this issue. The project intends to notify those pensioners who reached State Pension age since 6 April 1997 who may be able to improve their basic State Pension, or qualify for a basic State Pension, by paying voluntary class 3 National Insurance contributions. The costs attributable to restoring customers to the position they would have been in but for maladministration cannot be measured with sufficient reliability to enable an accurate value to be determined nor is it wholly clear who is responsible for incurring these costs. However, the Social Security Agency considers that an appropriate estimate of net arrears of £2.5 million provides an indication of the amount likely to be due.

Urban Regeneration

There is the following estimated contingent liabilities: Liabilities resulting from the vesting of land over the past thirty years, on which there is no time limit and which may potentially become payable at any time £0.219 million.



34 Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability

The Department has not entered into any contingent liabilities, quantifiable or unquantifiable, not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability.

35 Third party assets

The CSA operates a Client Funds Account to control the receipt of child maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance) and to the Agency (fees). These are not Departmental assets and are not included in the Balance Sheet.

	2003-04	2002-03
	£'000	£'000
Balance at 1 April	391	514
Gross inflows	12,758	12,520
Gross (outflows)	(12,752)	(12,643)
Balance at 31 March	397	391



36 Reconciliation of movements in taxpayers' equity

	Note	2003-04			2002-03		
		General Fund £'000	Revaluation Reserve £'000	Total £'000	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April		157,467	42,440	199,907	142,146	37,782	179,928
Net parliamentary funding							
– Drawn Down		2,583,887	-	2,583,887	2,785,431	-	2,785,431
Net parliamentary funding							
– Deemed Supply		-	-	-	-	-	-
Net funding from the National Insurance Fund		1,517,195	-	1,517,195	1,421,284	-	1,421,284
Net cost of operations		(4,151,060)	-	(4,151,060)	(4,232,341)	-	(4,232,341)
Non-AR income payable to the consolidated fund	7	(23,660)	-	(23,660)	(49,901)	-	(49,901)
Arising on revaluation during the year (net)		-	27,528	27,528	-	6,428	6,428
Consolidated fund creditor for cash unspent	23	-	-	-	-	-	-
Consolidated fund debtor for cash undrawn	21	33,212	-	33,212	17,129	-	17,129
Notional costs	2.1, 3.3, 4	26,994	-	26,994	32,279	-	32,279
Fixed Assets purchased by DHSSPS for DSD		51	-	51	53	-	53
Fixed Asset transferred from DRD to DSD		220	-	220	-	-	-
Agencies' Net Cash (Outflow)		(995)	-	(995)	(4,277)	-	(4,277)
Movement in inter-Departmental balance with DRD	25	-	-	-	(5,077)	-	(5,077)
Other	36a	(20,599)	121	(20,478)	48,971	-	48,971
		122,712	70,089	192,801	155,697	44,210	199,907
Transferred to the General Fund in respect of the realised element of the Revaluation Reserve resulting from:							
- depreciation		149	(149)	-	89	(89)	-
- disposal or impairment of assets		654	(654)	-	117	(117)	-
- other		-	-	-	1,564	(1,564)	-
Balance at 31 March		123,515	69,286	192,801	157,467	42,440	199,907

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets and those financed by Government grants).



36a Other movements consist of:

- (i) Urban Regeneration – sundry adjustments £0.027 million;
- (ii) SSA Benefits – Transfer of Child Benefit balances to Inland Revenue at 1 April 2003 £7.608 million and movement in NIF debtor balance (£29.253 million); and
- (iii) Other - adjustment to net vote funding £3.081 million, rounding (£0.003 million) and adjustment to opening balance (£2.059 million).

37 Related party transactions

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

In addition, the Department has had a small number of transactions with other Government Departments and Central Government bodies. Most of these transactions have been with the Department of Health, Social Services and Public Safety and the Department for Regional Development. Other entities include the Department of Employment and Learning, the Training and Employment Agency, the Department of Finance and Personnel and the Department of Work and Pensions in Great Britain, and their Executive Agencies.

None of the Board members, key managerial staff or other related parties has undertaken any material transaction with the Department for Social Development during the year.

38 Post Balance Sheet events

There were no post balance sheet events which could have had material effect on the state of affairs of the Department as at 31 March 2004 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

39 Prompt payment performance

Regular reviews conducted to measure how promptly the Department pays its bills found that approximately 97.70% were paid on time.

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. No payments were made by the Department during the year.



40 Accountability Notes

Losses and Special Payments

The information presented here is on a cash basis.

RfR A

Administration and miscellaneous services	
Losses	£'000
Total (9 cases)	4
Special Payments	£'000
Total (1,986 cases)	573
Comprising:	
Ex-gratia payments (554 cases)	407
Extra-statutory payments (1,432 cases)	166
Social security – administered by the Social Security Agency	
Losses	£'000
Total (11,597 cases)	3,431

Housing Benefit

The Northern Ireland Housing Executive administers Housing Benefit on behalf of the Department. At 31 March 2004 there were 16,425 cases of recoverable overpayments of Housing Benefit, amounting to £5.578 million. During 2003-04 £0.150 million of overpayments were written off.

RfR B

Housing	
Special Payments	£'000
Total (85 cases)	155
Comprising:	
Ex-gratia payments (5 cases)	5
Extra-statutory payments (80 cases)	150

RfR C

Urban regeneration and community development	
Losses	£'000
Total (5 cases)	14

The Department incurred no individual losses over £100,000.



41 Actual outturn – resources and cash

Actual outturn – Resources

Request for Resources A: Actual amount net resources outturn £2,313,960,212.77. Actual amount of savings in resources over Estimate £23,051,787.23.

Request for Resources B: Actual amount net resources outturn £315,584,819.34. Actual amount of savings in resources over Estimate £17,117,180.66.

Request for Resources C: Actual amount net resources outturn £61,920,527.86. Actual amount of savings in resources over Estimate £16,808,472.14.

Actual outturn – Cash

Net cash requirement – Outturn net requirement £2,617,099,057.57, which is £135,048,942.43 less than estimate.

The actual receipts surrenderable to the Consolidated Fund were £35,073,233.03. Of this amount £Nil has been applied to the Excess Vote, leaving a balance of £35,073,233.03 surrenderable to the Consolidated Fund.



Annexe A: Bodies for which the Minister has lead policy responsibility

The following are the bodies for which the Minister had lead policy responsibility during the year:

Executive Groups

Resources, Housing and Social Security Group (RHSSG)
Urban Regeneration and Community Development Group (URCDG)

Executive Agencies

Northern Ireland Child Support Agency
Northern Ireland Social Security Agency

Public Corporation

Northern Ireland Housing Executive

Executive Non-Departmental Public Body

Laganside Corporation
ILEX Urban Regeneration Company

Non-Executive Non-Departmental Public Bodies

Charities Advisory Committee
Disability Living Allowance Advisory Board for Northern Ireland
Rent Assessment Panel
Vaughan Charity (Trustees)

Directly Provided Services

The Department performs a range of services for other bodies throughout its Agencies. The resources allocated to those activities come mainly from outside the Department. The Belfast Benefits Centre, the Paid Order Unit and the Belfast Child Support Agency Centre (CSAC) process social security benefit claims, provide filing/retrieval systems for paid benefit orders and process child support cases respectively on behalf of agencies in Great Britain.

Independent Statutory Bodies

Office of the Social Fund Commissioner

The accounts of the bodies in italics have been consolidated in the group accounts of the Department.







Northern Ireland Audit Office

Report by the Comptroller and Auditor
General for Northern Ireland

Department for Social Development

Resource Account 2003-04

Part 1 : Introduction and Executive Summary

Summary

Introduction

1.1 The Department for Social Development is responsible for administering a wide range of expenditure aimed at helping those in need, promoting measurable improvements to housing in Northern Ireland and tackling disadvantage amongst individuals and communities. Through the Social Security Agency and the Northern Ireland Child Support Agency, the Department is responsible for the administration of social security benefits and child support. The Northern Ireland Housing Executive is responsible for administering Housing benefit. The Department's financial assistance to the housing and urban regeneration sectors is administered through its Resources, Housing and Social Security Group and the Urban Regeneration and Community Development Group respectively. In 2003-04, the Department accounted for expenditure of £4.2 billion on these areas, including associated administration costs, in its consolidated Resource Account.

1.2 This report:

- summarises the results of my audit and sets out the reasons for my qualified audit opinion (Part 1);
- reviews the results of my audit of expenditure on social security benefits and examines the reasons for the uncertainties over certain debtor and creditor balances in the Balance Sheet (Part 2);
- reviews the results of my audit of grants paid by the Department to Registered Housing Associations (Part 3); and
- reviews the results of my audit of expenditure by the Department on urban regeneration and community development grants (Part 4).



Executive Summary

On the reasons for my qualified audit opinion

1.3 I have qualified my opinion on the account because of:

- significant levels of estimated fraud and error in certain social security benefits;
- weaknesses in the Department's audit trails arising from deficiencies in the interaction between the Department's Programme Accounting Computer System (PACS) and its various benefit systems which resulted in limitations in the evidence available to support significant social security programme debtor and creditor balances;
- weaknesses in financial control and monitoring of expenditure in relation to grants paid to Registered Housing Associations; and
- significant weaknesses in financial control and monitoring of expenditure in relation to urban regeneration and community development grants to voluntary and community bodies.

Fraud and Error in Social Security Benefits

1.4 The Department estimates that in 2003-04 there were losses in Income Support, Jobseeker's Allowance, Disability Living Allowance, Attendance Allowance, Carer's Allowance, Housing Benefit, Retirement Pension and Bereavement Benefits and Incapacity Benefit as a result of errors by officials, errors by customers and proven and suspected fraud by customers amounting to £112.3 million which is 3.2 per cent of expenditure on benefits.

1.5 I have qualified my audit opinion on the Resource Account due to the significant level of estimated fraud and error in social security benefits.

Debtor and Creditor Balances

1.6 As a result of weaknesses in the Department's audit trails mainly arising from deficiencies in the interaction between the Department's Programme Accounting Computer System and its various benefit systems, there were serious limitations in the evidence to support my audit of certain significant social security programme debtor and creditor balances. There is significant uncertainty over the accuracy and completeness of these amounts, which total



around £55 million gross. I have assessed whether the impact of the uncertainty over these balances results in the balance sheet giving a misleading view and have concluded the impact is that the net assets of the Department may be significantly misstated. I have therefore qualified my audit opinion on the Resource Account because of the limitations in evidence.

Grants to Registered Housing Associations

- 1.7 On the basis of my specific audit findings, I have concluded that the Department's financial controls and monitoring of grants to Housing Associations continue to be insufficient. In addition, I have concerns over the adequacy of the Housing Associations' financial control and monitoring of expenditure on individual schemes. Weaknesses identified are detailed in Part 3 of this report.
- 1.8 I am encouraged to see the Department has been proactive in ensuring previous audit recommendations and good practice is being promoted in Housing Associations and the Housing Associations have indicated that they are implementing improved controls and procedures in line with Departmental and audit recommendations.
- 1.9 In the absence of proper controls I have qualified my audit opinion on the Resource Account.

Urban Regeneration and Community Development Grants to Voluntary and Community Bodies

- 1.10 On the basis of my audit findings, I have concluded that the Department's financial controls and monitoring of expenditure in relation to grants to voluntary and community bodies continue to be inadequate. Weaknesses identified are detailed in Part 4 of this report.
- 1.11 The Department has or is currently putting various measures in place to improve financial control and monitoring of expenditure. These are detailed at paragraphs 4.30 and 4.31 of this report.
- 1.12 As a result of the inadequacy of the Department's financial controls and monitoring of this expenditure I am unable to determine whether the expenditure was applied to the purposes intended and was regular. I have therefore qualified my audit opinion on the Resource Account.



Part 2: Schedule 2 - Qualified Audit Opinion Arising from the Level of Estimated Fraud and Error in Social Security Benefits and Schedule 3 - Uncertainties over Certain Debtor and Creditor Balances

Introduction

- 2.1 The Departmental Resource Account (Request for Resources A) provides for expenditure by the Department for Social Development (DSD) on "a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save."
- 2.2 During 2003-04, the Department accounted for expenditure of £1.66 billion on non –contributory social security benefits, £1.46 billion on contributory social security benefits and £67 million on social fund benefit expenditure, administered by the Social Security Agency. This included Income Support £725 million, Jobseeker’s Allowance £85 million, Disability Living Allowance £516 million, Attendance Allowance £181 million, Carer’s Allowance £81 million, Retirement Pension & Bereavement Benefits £1,119 million and Incapacity Benefit £318 million. Additionally, the Department accounted for expenditure of £352 million on housing benefit, which is administered by the Northern Ireland Housing Executive (NIHE).
- 2.3 This part of my report sets out:
- the background and the accounting arrangements for this expenditure; (paragraphs 2.4 to 2.6)
 - NIAO audit approach and findings (paragraphs 2.7 to 2.32); and
 - summary of audit findings and conclusion (paragraphs 2.33 to 2.36).

Background and the accounting arrangements for this expenditure

- 2.4 Part 1 of this report explains the structure of the Department. The Social Security Agency (the Agency) is an Executive Agency within the Department. As the Agency is part of the DSD, benefits expenditure accounted for within the Agency Account is also included within 2003-04 DSD Resource Account programme expenditure.
- 2.5 I reported the results of my audit of the 2003-04 Social Security Agency Account on the 21st October 2004 (HC 1138 & NIA 113/03). The Agency Account was qualified because of:
- significant levels of estimated fraud and error in certain social security benefits; and



-
- limitations in the evidence available to support significant social security programme debtor and creditor balances.

This qualification of the Agency Account also impacts upon the Department's Resource Account.

- 2.6 As well as the Social Security Agency benefits expenditure, the Department's Resource Account also includes housing benefit which is administered by NIHE and accounted for by the Department. I reported the results of my audit of the 2003-04 NIHE Accounts on 9th July 2004. The NIHE Accounts were qualified because of a limitation of audit scope as a result of the estimated losses due to fraud and error within Housing Benefit. This qualification also impacts upon the Department's Resource Account.

NIAO Audit Approach

- 2.7 The Department's Standards Assurance Unit (the Unit) examines statistical samples of all benefit awards on a continuous basis. From these samples they are able to monitor the accuracy of payments made, the quality of decision making and estimate the gross monetary value of error. The Unit also completes a programme of benefit reviews which are designed to produce reliable information on the level of fraud and error in benefit awards.
- 2.8 As part of our audit work in this area my staff examined and reperformed a sample of the Unit's non-contributory and social fund benefits case work during the year for both the payment accuracy and decision making and the benefit review exercises. I can report that I am content that the work undertaken continues to be of good standard and the results produced by the Unit are accurate and complete. The Agency also administers contributory benefit expenditure on behalf of the Inland Revenue. The accounts of the Northern Ireland National Insurance Fund are audited by the National Audit Office (NAO). As part of their work on the Northern Ireland National Insurance Fund NAO also examine and reperform a sample of contributory benefit cases and have indicated that they also consider the work of the Unit to be of a good standard.
- 2.9 The Agency uses the Programme Accounting Computer System (PACS) in the preparation of their accounts. This system is operated and managed by the Department for Work and Pensions (DWP) in Great Britain. However there are currently deficiencies in the interaction between PACS and its various benefit information systems which have led to limitations in the evidence available to support significant social security programme debtor and creditor balances. My staff reviewed progress made by the Agency in addressing these issues.



Findings

2.10 This section:

- reviews the results of my audit of expenditure on contributory, non –contributory and means tested social security benefits administered by the Social Security Agency and NIHE; and
- examines the reasons for the uncertainties over certain debtor and creditor balances in the Balance Sheet.

Fraud and Error in Social Security Benefits

2.11 The Department's estimate of the levels of fraud and error in non –contributory and contributory benefits for 2003-04 is summarised below in Figure 1.

Figure 1: Estimated level of fraud and error 2003-04

	Benefit	£million ¹	% expenditure	2002-03 £million (% expenditure)
Non –contributory	Income Support	30.8	4.2%	37.5 (5.5%)
	Jobseeker's Allowance	9.6	11.3%	11.9 (11.6%)
	Disability Living Allowance	33.5	6.5%	43.6 (9.1%)
	Attendance Allowance	3.6	2%	8.7 (4.9%)
	Carer's Allowance	7.3	9%	4.4 (6%) ²
	Housing Benefit	13.4	3.8%	27.9 (7.5%)
Contributory	Retirement Pension & Bereavement Benefits	10.5	0.9%	41.1 (3.9%)
	Incapacity Benefit	3.6	1.1%	16.3 (5.2%)
TOTAL		112.3	3.2%³	191.4 (5.2%)

Note 1: Estimated level of fraud and error

Note 2: Comparative Carer's Allowance figures are from 1999 (see paragraph 2.19)

Note 3: % of total benefit expenditure

Source: Figures provided by the Department



Total levels of estimated fraud and error

2.12 Figure 1 above indicates a fall in the total estimated levels of fraud and error reported by the Department from £191.4 million (representing 5.2 per cent of total benefit expenditure) in 2002-03 to £112.3 million (3.2 per cent of benefit expenditure) in 2003-04. Whilst this decrease in the levels of estimated fraud and error is encouraging I consider that losses through fraud and error of £112.3 million are still unacceptable.

Income Support/Jobseeker's Allowance

2.13 Figure 2 below breaks down the level of fraud and error from Figure 1 into the following four categories; customer fraud, suspected fraud, customer error and official error. In its two most recent benefit reviews for Income Support and Jobseeker's Allowance the Agency only reports customer fraud, customer error and official error. However, I have included the Agency's estimate of suspected fraud in both Figure 1 and Figure 2; this is further explained in paragraph 2.15 below.

2.14 I note that suspected and customer fraud has increased from £13.1 million at March 2003 to £14.9 million at March 2004 for Income Support while it has decreased from £10.5 million at March 2003 to £8.1 million at March 2004 for Jobseeker's Allowance. While the improvement in Jobseeker's Allowance is encouraging, £23 million of loss through estimated fraud is, in my view, unacceptable. Furthermore I am concerned that over £10 million was lost in 2003-04 as a result of errors by officials. The Agency has advised me that it regards errors of this scale as unacceptable. However there has been a significant reduction (£8.4m) since 2002-03 in levels of official and customer error which is an indication that the activities in the plans mentioned below are having a positive effect. To improve performance on both payment accuracy and decision making further the Agency has told me that their District / Divisional Managers, together with their Programme Protection Managers continue to use the Unit's findings to determine local plans for continuous improvement of standards across all benefits. These plans include a range of activity including training that is targeted at identified weaknesses and complex areas, increased levels of checking, more frequent interventions on cases which are deemed to be susceptible to error and more regular sharing and feedback of information through Staff Forums. Nevertheless these levels of fraud and error remain a major concern and the Agency will continue to treat them as high priority and will keep on working to achieve further reduction.

Figure 2: Estimated level of fraud and error in Income Support and Jobseeker's Allowance

Category	Income Support		Jobseeker's Allowance	
	Estimated Financial Error * £M @ 31.3.04	Estimated Financial Error * £M @ 31.3.03	Estimated Financial Error * £M @ 31.3.04	Estimated Financial Error * £M @ 31.3.03
Customer Fraud	9.2 (1.2%)	5.9 (0.9%)	6.4 (7.5%)	7.8 (7.6%)
Suspected Fraud	5.7 (0.8%)	7.2 (1.0%)	1.7 (2.0%)	2.7 (2.6%)
Customer Error	6.5 (0.9%)	9.4 (1.4%)	0.6 (0.7%)	0.3 (0.3%)
Official Error	9.4 (1.3%)	15.0 (2.2%)	0.9 (1.1%)	1.1 (1.1%)
TOTAL	30.8 (4.2%)	37.5 (5.5%)	9.6 (11.3%)	11.9 (11.6%)

* Estimated annual expenditure error and percentage of expenditure

Suspected fraud

2.15 As in previous years I have included an estimate of the level of high suspicion fraud for those benefits where a benefit review exercise has been completed as I consider this is an indication of the level of fraud in the benefits system. High suspicion fraud is recognised where sufficient evidence exists to warrant further investigation by the Agency. The Agency has advised it is important to recognise that these suspected fraud cases provide only an indication of possible fraud and error. The Agency has in place established, standardised procedures for the further assessment of these cases resulting in the correct classification and recording of the case under a more specific fraud category where appropriate. Consequently, the Agency therefore believes that the exclusion of suspected fraud cases actually provides a more accurate, consistent and meaningful indication of the actual levels of fraud. It also brings the Agency into line with practices used by the Department of Work and Pensions in GB. The Agency is committed to making fraud estimation procedures less subjective and more robust, and they will pursue this matter with the NIAO throughout the 2004-05 year.



Disability benefits

Disability Living Allowance

2.16 The estimated monetary value of official error in Disability Living Allowance (DLA) payments was £33.5 million for 2003-04 (6.5 per cent of expenditure) which is an improvement compared to £43.6 million reported in 2002-03 (9.1 per cent of expenditure). These estimates of error come from financial accuracy exercises carried out by the Agency and referred to in paragraph 2.8. The Agency has also undertaken a Disability Living Allowance benefit review. Unfortunately the result of this review will not be reported until later in 2004. However, the previous benefit review for Disability Living Allowance published in July 2002 estimated a loss of £41.7 million (representing 9.3 per cent of expenditure). Taken together the financial accuracy exercise and Benefit Review provide a measure of the monetary implications of internal and external incorrectness in DLA payments. However, as the sample of cases they examine cover different periods and are drawn from the caseload in different ways, it would, therefore be inappropriate to add the two amounts together to arrive at a total sum of incorrectness. The Agency has advised me that they are currently considering how levels of fraud and error reported by Benefit Review should be reconciled with the results of the financial accuracy exercise for 2003-04. As the results have not yet been reconciled I am unable to evaluate the overall level of error. Nonetheless, the overall amount of error – from whatever source – is a substantial sum and it is my view that it is greater than the £33.5 million emerging from the financial accuracy exercise. I intend to review the results of the 2003-04 Benefit Review as part of the 2004-05 audit and will report further in due course, if necessary. This issue will also be addressed in my report on Decision Making and Disability Living Allowance which will be published shortly.

2.17 The Agency told me that it is widely recognised that this is a particularly difficult and complex benefit to administer. It is targeting those areas most prone to error, for example, the standard of evidence gathering and the interpretation of detailed medical evidence, which can be particularly problematic in this benefit. This involves improving the training, feedback and support mechanisms for Decision-makers to ensure that standards improve. For example, work is ongoing with the Disability Living Allowance Advisory Board (NI) to assist in the development and delivery of refresher training on a number of complex medical conditions.

Attendance Allowance

2.18 The estimated monetary value of official error in Attendance Allowance payments was £3.6 million for 2003-04 (2 per cent of expenditure) as compared



to £8.7 million for 2002-03 (4.9 per cent of expenditure). The Agency has advised that this improvement can be attributed to addressing a particular problem area, which had been identified during the previous years monitoring. Revised guidance was issued to Decision-makers on an interpretive matter and this corrective action significantly reduced both the amount and value of error detected.

Carer's Allowance¹

- 2.19 The last benefit review for Invalid Care Allowance was published by the Agency in 1999 and I reported on the Agency's performance in my report on Vote 18, Social Security – Administered by the Social Security Agency (NIA 36/00). In 2003-04 the Agency estimates losses through fraud and error to be £7.3 million² or 9 per cent of total expenditure compared to an estimated loss of £4.4 million or 6 per cent of total expenditure in 1999-00³.
- 2.20 I am concerned that the level of loss through fraud and error has increased for this benefit. The Agency has told me that the measures currently in place within Carers Allowance designed to reduce fraud and error are being reviewed following the latest Benefit Review findings in particular to consider how risk management and risk assessment might lead to better targeted intervention.

Housing Benefit

- 2.21 The Department estimates that losses through fraud and error for Housing Benefit in 2003-04 amounted to £13.4 million or 3.8 per cent of total expenditure, as compared to £27.9 million or 7.5 per cent of total expenditure for 2002-03. The 2003-04 losses includes £5 million or 1.42 per cent in respect of suspected fraud, this compares to £13.2 million or 3.5 per cent. While performance appears to have improved considerably since last year I am still concerned about losses of this amount. The Department has advised that the Northern Ireland Housing Executive has continued to address the losses through fraud and error and has recently completed a Fraud and Error Strategy review where they have (i) identified the risks of fraud, customer error and official error, (ii) evaluated existing measures to address these risks, (iii) set out standards, targets, performance indicators etc. and (iv) will initiate a review of resources by January 2005. In addition the Department has adopted the national target set by government to reduce fraud and error by 25 per cent by 2006.

Contributory benefit expenditure

- 2.22 This year my report includes for the first time estimated levels of official error for contributory benefit expenditure as I have received for 2003-04 sufficient assurance from the NAO regarding this expenditure. NAO will certify and

¹ Following the extension of Invalid Care Allowance to carers aged 65 plus it was renamed Carer's Allowance from April 2003.

² Figure includes high suspicion fraud as explained in paragraph 2.15.

³ The 1999 Benefit Review for Invalid Care Allowance covered the period November 1998 – June 1999 and therefore did not correspond precisely to the 1999-00 financial year.



report on the 2003-04 Northern Ireland National Insurance Fund White Paper Accounts in due course. The estimated monetary value of official error for both Retirement Pension & Bereavement Benefits and Incapacity Benefit has decreased considerably from the 2002-03 figures of £41.1 million and £16.3 million respectively to £10.5 million⁴ and £3.6 million⁴. NAO have advised that this improvement has mainly arisen from significant progress by the Department in retaining evidence to support the expenditure. Benefit Reviews were not carried out by the Department for either of these benefits in 2003-04.

Social Fund benefits expenditure

2.23 I note that the Department has also been able to provide estimated monetary value of error figures for 2003-04 Social Fund benefits expenditure of £1.2 million (1.8 per cent of expenditure) as compared to £1.4 million (2.3 per cent of expenditure) for 2002-03. However, as the Department does not consider these results to be statistically valid they do not impact on my audit opinion on the account. Nevertheless, I am concerned about the level of error indicated by the figures and will keep this under review during next year's audit. A separate White Paper Account will also be produced for the 2003-04 Social Fund which I will certify and report on in due course.

Debtor and Creditor Balances

2.24 As noted in paragraph 2.9 my staff reviewed the progress made by the Agency in respect of the following social security programme debtor and creditor balances:

Contributory and Non Contributory Benefit Overpayment Debtors - £41,126,000 (Gross)

2.25 Overpayments to customers arise as a result of errors by officials and through fraud or error on the part of the customer. When an overpayment is identified, local social security offices notify Debt Management Unit (DMU). DMU records the amount of the overpayment on their debt management system, the Overpayment Recovery System (OPREC) and pursue recovery. However, these and subsequent movements in debts outstanding are posted to the PACS general ledger in total rather than by the individual debt amounts. As a result, no listing of individual customers owing money was available from the PACS general ledger system in relation to 2003-04 for my staff to test.

2.26 At 31st March 2004 the debtor balance recorded in the PACS general ledger did not agree with the balance from the OPREC collated database. The Agency considered the PACS general ledger balance to be the more accurate and, being lower, the more prudent balance.

⁴ Figures may be revised subject to audit.



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- 2.27 In the absence of a satisfactory audit trail between the PACS general ledger and the more detailed information held on the OPREC system, my examination of overpayment debtors was again severely limited. Therefore, having taken account of evidence that the information held on the OPREC system is unreliable and incomplete, I conclude that there is significant uncertainty over the accuracy and completeness of the debtors balance held on the PACS general ledger. I am disappointed that non –system weaknesses in the OPREC system still exist despite the efforts of the Agency during the year.
- 2.28 The Agency has told me it expects that significant progress will have been made towards the implementation of a software accounting package that will cover debts arising from the benefit systems. This new package should be able to provide an individual listing of customer debts for the 2005-06 financial year. I intend to review progress made to resolve this issue during my audit of the 2004-05 Departmental Resource Account.

Encashment Control Creditor £13,655,000⁵

- 2.29 This balance represents the Agency's estimate of the total value of order book foils and girocheques, which had been issued to customers and are due for encashment at Post Offices or Banks, but remained unencashed at the year-end.
- 2.30 The Agency is unable to confirm the actual encashment of individual order book foils and the majority of girocheques as encashment data from the Agency's paying agents does not provide this level of detail. Although the Agency's accounting systems can capture detailed accounting information for individual order book foils and girocheques that are system generated and issued, it cannot capture similar information for order books and girocheques that are produced and issued manually to customers. As a result the Agency is unable to perform a full reconciliation between the general ledger balances and statements from paying agents.
- 2.31 I therefore conclude that there is significant uncertainty over the encashment control balance and I have qualified the Agency's accounts in respect of this issue.
- 2.32 The Agency expects that the ongoing implementation of Direct Payment of benefits⁶ should reduce this creditor balance substantially and the Agency is currently investigating how expected exceptional payments will be accounted for. Furthermore the Agency is also investigating options to obtain individual encashment information for girocheques. I will review progress on these issues during my audit of the 2004-05 Departmental Resource Account.

⁵ Encashment control balance of £14,170k less the payable order element of £515k for which the Department can provide detailed accounting information.

⁶ PSA Target 1.5 is to make significant progress towards modernising welfare delivery so that by 2005 85% of customers have their benefit paid into their bank accounts.



Summary of audit findings

Fraud and Error in Social Security Benefits

- 2.33 The Department estimates that in 2003-04 there were losses in the non –contributory benefits of Income Support, Jobseeker’s Allowance, Disability Living Allowance, Attendance Allowance, Carer’s Allowance (previously known as Invalid Care Allowance) and Housing Benefit of £98.2 million which is 5.1 per cent of expenditure on these benefits. Furthermore they estimate losses of £14.1 million (1.0 per cent of expenditure) in the contributory benefits of Retirement Pensions & Bereavement Benefits and Incapacity Benefit.
- 2.34 The Department also estimates losses of £1.2 million in 2003-04 social fund benefits expenditure. However, as they do not consider these results to be statistically valid they do not impact on my audit opinion on the account.

Debtor and Creditor Balances

- 2.35 As a result of weaknesses in the Department’s audit trails mainly arising from deficiencies in the interaction between the Department’s Programme Accounting Computer System and its various benefit information systems, there were serious limitations in the evidence to support my audit of the benefit overpayment programme debtor and encashment control creditor balances within the DSD Resource Account. There is significant uncertainty over the accuracy and completeness of these amounts, which total around £55 million gross.

Conclusion

- 2.36 In forming my audit opinion I am required to confirm that the account is free from material misstatement, whether caused by error, fraud or irregularity. I have qualified my audit opinion due to the significant level of estimated fraud and error in social security benefits (see paragraph 2.33). I have assessed whether the impact of the uncertainty over significant debtor and creditor balances results in the balance sheet giving a misleading view (see paragraph 2.35) and have concluded the impact is that the net assets of the Department may be significantly misstated.



Part 3: Schedule 2 – Qualified Audit Opinion Arising From Weaknesses in Financial Control and Monitoring of Expenditure in Relation to Grants to Registered Housing Associations

Request for Resources B : Promoting Measurable Improvements to Housing in Northern Ireland

Introduction

3.1 One of the Department's key strategic objectives is *"to promote measurable improvements to housing in Northern Ireland"*. The Departmental Resource Account (Request for Resources B) provides for expenditure by the Department for Social Development on Housing Association Grant (HAG) to registered Housing Associations. During 2003-04, the Department paid out £78.8 million in respect of Housing Association Grant.

This part of the report details;

- Background to the establishment of Housing Associations and the Department's control mechanisms over Housing Associations (paragraphs 3.2 to 3.5);
- An overview of the Housing Association Grant scheme (paragraphs 3.6 and 3.7);
- NIAO Audit Approach and Findings (paragraphs 3.8 to 3.36); and
- Summary and Conclusion (paragraphs 3.37 to 3.41);

Background

3.2 Registered Housing Associations were first set up in 1976. There are 38 Housing Associations in Northern Ireland providing social housing for rent, and one, the Northern Ireland Co-Ownership Housing Association, which provides the opportunity for those on low income to become homeowners.

3.3 The Housing Policy Review of 1996 transferred responsibility for all future new build social housing provision from the Northern Ireland Housing Executive to Housing Associations. Housing Associations therefore now build all new general and special needs housing in Northern Ireland. The Housing Executive retains a responsibility to develop in circumstances where Housing Associations are unable to do so.

In relation to the payment of grant to Housing Associations, the Department is responsible for the issue of guidance and policy directives to them. In addition, it has a statutory duty to consult with representative housing association bodies.

3.4 While the Department is responsible for the payment of grant, it has devolved



the control and monitoring of expenditure to the individual Housing Associations by way of "Self Certification" procedures (paragraph 3.7). The primary means through which the Department achieves regulation and monitoring through its Housing Associations Branch (excluding the Northern Ireland Co-Ownership Housing Association (see paragraph 3.32)) are:

- Registration – the criteria for registration of new Associations;
- Scheme approval – schemes submitted for approval must conform to the requirements of the Housing Association Guide;
- Performance returns – performance documentation issued by and returned to the Department;
- Investigation/Verification Visits – verification and investigatory visits are carried out following return of performance documentation; and
- Scheme Audit – the process by which the Department checks the validity and accuracy of the certifications given by an Association as part of the scheme work procedures. The Department also monitors the consistency of the housing produced in line with the Department's Design and Contracting Requirements.

3.5 I have qualified my audit opinion in this area since 2001-02 on the basis of inadequate control and monitoring of expenditure. I am encouraged to see the Department has been proactive in ensuring previous audit recommendations and good practice are promoted in Housing Associations. However, I recognise that my audit testing in 2003-04 may not incorporate the more recent schemes where any improvements in control and monitoring is likely to be realised. This is examined further in paragraph 3.16.

Overview of the Housing Associations Grant Scheme

3.6 The Housing (NI) Order 1992 introduced new mixed funding arrangements for Housing Associations undertaking scheme development. The provision of general social housing is funded through a mix of sources; approximately 70 per cent is paid by the Department and the remainder through private finance. Supported Housing attracts 100 per cent Departmental grant funding. In 2003-04 the amount of Housing Association Grant paid to Housing Associations who provide accommodation for rent in Northern Ireland was some £78.8 million (2002-03 £52.6 million).

3.7 The Department's approval system is designed to streamline the development process and relies on a process of "certifications" by Associations to pay grant. Payment of grant to a Housing Association is triggered when it 'certifies' that the following three stages have been completed:

- Acquisition – deemed to be where the association has a contract with the vendor to take ownership of the site/property;



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- Start on Site – deemed to be the date when the contractor took possession of the site/property; and
 - Practical completion – deemed to be the contract date when the Association took possession of the dwelling or when purchase is completed.

The certification framework was introduced to reduce bureaucracy and to require Housing Associations to take a greater share of the risk in developing schemes, thus giving them the incentive to develop more efficiently.

NIAO Audit Approach

3.8 On the basis of the weaknesses in financial control identified by my audit in 2002-03, I again decided to focus my 2003-04 audit on reviewing the work of the Department's Scheme Audit function (paragraphs 3.11 to 3.15) and specifically testing the operation and adequacy of key financial controls by examining a further sample of schemes (paragraphs 3.16 to 3.29). In this regard, my examination focused on schemes where development had been completed and final grant payments made during 2003-04. This involved reviewing each scheme from application and approval stage, with particular emphasis on:

- the extent to which Housing Associations had adhered to the self certification process made to the Department described in the paragraph 3.7 above;
- the procurement and tendering procedures adopted for professional consultants, contractors and other services;
- the monitoring and control of schemes, including all financial aspects, exercised by Housing Associations;
- the control and monitoring of the schemes exercised by the Department; and
- extent to which Housing Associations had implemented previous audit recommendations and demonstrated improvement in scheme management.

3.9 The Department's Internal Audit Unit reduced the planned audit programme during 2003-04 in the Housing area to address significant control issues in another area of the Department. However, I have reviewed the work of Internal Audit and detailed my findings below (paragraphs 3.30 and 3.31).



3.10 In addition, I considered the extent of the control and monitoring carried out by the Northern Ireland Co-Ownership Housing Association over its operations (paragraphs 3.32 to 3.34) and the progress made on the implementation of Constructionline in relation to Housing Association contracts (paragraphs 3.35 and 3.36).

Audit Findings

Review of Scheme Audit

3.11 The Department's control and monitoring of Housing Association Grant is primarily carried out by Housing Associations Branch. The Scheme Audit Team was established in 1998 as an integral part of the new funding arrangements. The process followed by Scheme Audit ensures that Associations are accountable for the public funds they receive and provides assurance to the Department's Accounting Officer that funds are not being exposed to unreasonable risk. Since April 2002, Scheme Audit work has been divided into:

- Development Compliance Audit which focuses on the development issues of schemes with emphasis on the certification process and ensuring that schemes are controlled and monitored by Associations in line with the Housing Association Guide; and
- Minor Works and Validation Audit which aims to confirm that minor issues agreed during the previous development compliance audit have been fully addressed. This includes issues on procurement and procedural requirements and scheme design requirements.

3.12 Where Scheme Audit highlights any significant weaknesses the Department may impose sanctions on a Housing Association by way of reducing financial support or removal from the grant scheme. There are currently five Housing Associations suspended from receiving further scheme approvals as a result of Development Compliance Audits until they can demonstrate that they have introduced acceptable remedial action.

3.13 During 2003-04 Scheme Audit issued 12 reports to individual Housing Associations, nine of these have been finalised.

3.14 My staff reviewed the work of Scheme Audit during the year by examining the 2003-04 work programme and final reports issued to Associations. Their work was found to be comprehensive, well structured and focused. Issues raised were prioritised in terms of importance and good procedures are in place to ensure subsequent follow up of issues raised and implementation of remedial action by Associations. I consider the Scheme Audit function to be a valuable tool in ensuring adequate control and monitoring of scheme development.



3.15 In my report last year I noted a review of the role of Scheme Audit by the Department's Business Improvement Unit who recommended that Scheme Audit's remit should be extended to provide a quality assurance function. The Department told me last year the New Regulatory and Inspection Unit would commence operations with effect from 1st April 2004. I consider the establishment of such a unit essential if the control and monitoring of Housing Association Grants is to improve to an acceptable level. I intend to review the operation of the unit and will report in 2004-05.

NIAO examination of scheme payments

3.16 My staff selected a sample of 13 schemes for examination from a total of 86 schemes on which the final tranche payment was made during 2003-04. This involved 13 Housing Associations and the sample details are set out in Figure 3 below. It should be noted that all the schemes sampled had reached practical completion prior to Housing Associations having had the opportunity to implement my recommendations from previous audits.

Figure 3: Schemes examined by NIAO

Housing Association	Scheme Location	Approval Date	Total Grant paid by Department £'000	Grant paid in 2003-04 £'000
BIH	South Belfast	April 01	1,931	386
Choice	Newtownards	June 03	209	209
Clanmill	West Belfast	August 01	430	86
Connswater	East Belfast	August 01	2,353	448
Flax	North Belfast	March 01	2,609	522
Fold	Carrickfergus	October 01	1,317	263
Gosford	Newry	June 01	296	59
Grove	North Belfast	April 03	112	112
Hearth	Templepatrick	October 01	120	24
North & West	Londonderry	February 01	2,086	834
Oaklee	North Belfast	February 02	1,472	294
St Matthews	East Belfast	July 03	159	159
Triangle	Cookstown	October 03	216	216

3.17 The following main areas arose from my audit of the schemes above:

- inadequate control and monitoring by Housing Associations; and
- insufficient Departmental control and monitoring.

Examples of my findings are included in paragraphs 3.18 to 3.29 below.



Inadequate control and monitoring by Housing Associations

3.18 Housing Associations are given a certain degree of autonomy by the Department in respect of the application of Housing Association Grant awarded. This is achieved through the self certification process described in paragraph 3.7 and the application of the Housing Association Guide which is produced by the Department. During my audit of the schemes, my staff noted the following weaknesses.

Inaccurate and inapplicable certifications made by Housing Associations

3.19 As noted above when making their application the Housing Association must certify that it has undertaken a number of specific actions and ensured certain essential requirements have been put in place.

3.20 From the examination of the sample of schemes my staff identified a number of instances where Housing Associations had failed to either inform the Department where individual certifications had not yet actually been met or delete certifications which were inapplicable to particular schemes. Examples of certifications which had not been met at the time of payment claim nor notified to the Department are:

- outline or full planning permission had not been obtained at project approval application stage, in one case planning permission was not sought until some time after project approval application was made;
- in one instance an Association failed to ensure that the solicitor had confirmed the property had good title;
- in three instances economic appraisals had either not been completed or not completed at the right time, in some cases performed retrospectively;
- in one case the valuation of property had been carried out retrospectively, that is, after purchase price was agreed and project approval given;
- building contracts had not been signed before application for start on site tranche was made by Associations and contractors taking possession of site. In one scheme the building contract was not signed until 18 months after scheme completion;
- application was made for acquisition tranche grant outside the specified two week purchase completion period in one case examined; and

-
- Buildings Regulations Approval, on one occasion, not obtained until six months after practical completion.

Non adherence by Housing Associations to Departmental procedures

- 3.21 Housing Associations are required to follow procedures and best practice contained in the Housing Association Guide issued by the Department. The Guide sets out the requirements which Housing Associations must follow in relation to Health & Safety regulations, procedure, design and procurement. My staff identified instances where by not adhering closely to the requirements, Housing Associations may have exposed their funds to the risk of claims by third parties.
- 3.22 In particular, instances were highlighted where I am concerned that Housing Associations did not follow Departmental guidelines in relation to the tendering and award of contracts. For example, my staff noted that:
- the award of contracts and services was in one instance based only on an Association's knowledge and past experience of the contractors;
 - in one case, there was no written agreement detailing the duties and responsibilities of the Housing Association and its development agent, and the proposed relationship with consultants and contractors; and
 - in three cases the number of tenders invited were not within the recommended number as stated in the Housing Association Guide.
- 3.23 Other areas of non-adherence to guidelines by Housing Associations I examined related to:
- the completion of economic appraisals. Not all Associations followed the basic steps for completion of economic appraisals outlined in the Housing Association Guide;
 - non-compliance with energy efficiency guidance. Under the Design Advice Scheme, Associations must provide an independent energy efficiency report on all new build schemes and rehabilitation in excess of 500 square metres. Two instances of non-compliance were noted; and
 - in one case examined a building survey was not undertaken;
- 3.24 I indicated in my report last year (HC 1202) that the Department was reviewing the Housing Association Guide and that it was on target to complete the review and to have an on-line version of the guide available by mid 2004. I can now report that Parts 1 and 2 of the Guide have been updated and are available on-



line with parts 3 and 4 currently being updated for on-line publication before the end of 2004. The guide is clearly a key control and monitoring mechanism and I intend to review the implementation of the revised version during the 2004-05 audit.

Insufficient evidence to support key decisions taken by Housing Associations

3.25 The examination of scheme files also highlighted various instances where there was little evidence to support the rationale behind key decisions taken by Housing Associations. Examples are:

- where appointed consultant architects and/or quantity surveyors were responsible for evaluating applications for inclusion on select lists, evaluating tenders and recommending contractors for selection, Housing Associations did not always ensure that sufficient evidence was made available to them to support the decisions and recommendations made;
- in one case, there was conflicting information reported in the economic appraisal and the survey;
- in another case, estimated costs for scheme construction on the project application form were not supported; and
- while all the Associations visited during the audit retained minutes of their management committee meetings, the level of detail varied significantly. In a number of instances there was a lack of evidence to support key decisions taken, such as scheme approval decisions.

Insufficient Control and Monitoring of Schemes by Housing Associations

3.26 In many instances, Housing Associations devolve the process of contractor selection and the control and monitoring of schemes to their appointed consultants. Specific examples of where my staff found insufficient control and monitoring of schemes by Housing Associations examined are:

- issues relating to project approval were not documented as being addressed at practical completion stage in one of the cases my staff examined; and
- in another case planning permission was sought only after the application for project approval.

3.27 I asked the Department about the progress it had made to address the issues highlighted above. The Department told me that as well as completing and issuing Parts 1 and 2 of the Housing Association Guide referred to paragraph



3.24 above, it is making good progress with the remaining parts. It has also amended a number of certification forms and continues to operate the evidence based certification process it introduced in February 2003, which requires Housing Associations to provide some supporting documentation with their certifications. In addition the Department has introduced enhanced internal checking and monitoring and a system where by matters outstanding from any stage of the process are highlighted and followed up.

Insufficient Departmental Control and Monitoring

- 3.28 The audit highlighted some weaknesses in relation to the Department's control and monitoring of grant paid to Housing Associations. For example, one Association claimed acquisition tranche with the knowledge that purchase completion would not take place within the two weeks as specified by Housing Association Guide. The Department paid out the above tranche despite the Housing Association having advised them of the circumstances.
- 3.29 As indicated in paragraph 3.15, I consider that the establishment of the New Regulatory and Inspection Unit is a key element to an adequate system of Departmental control and monitoring of Housing Associations. Furthermore, I encourage the Department to expedite the completion of the Housing Association Guide (referred to in paragraph 3.24) so that up to date guidance, incorporating essential control and monitoring mechanisms, is available for use by Housing Associations.

Review of Internal Audit

- 3.30 Internal Audit carried forward five audits from 2002-03, of which two were finalised (Travel & Subsistence and Housing Finance) in 2003-04. Two deferred audits from 2002-03 (Follow up review of Housing Associations Branch and an audit of the Northern Ireland Co-Ownership Housing Association) were also completed.
- 3.31 I conducted a review of the Internal Audit reports completed and note that, while a limited amount of work was carried out, Internal Audit considered that an overall rating of substantial assurance was appropriate. I also note that Internal Audit considered that actions taken by Housing Association Branch to date has cleared the majority of the previous Internal Audit recommendations. However, I am concerned that the audit of NI Co-Ownership Housing Association (NICHA) identified weaknesses in the monitoring and control of scheme management resulting in limited assurance being awarded. Further comments on NICHA are included in paragraphs 3.32 to 3.34 below.

Review of Northern Ireland Co-Ownership Housing Association

- 3.32 The Northern Ireland Co-Ownership Housing Association (NICHA) was



established in 1978 to contribute towards meeting housing need through the promotion and development of the concept of equity sharing (shared ownership) in the private housing sector. It achieves this through the Co-Ownership Scheme. This provides access to home ownership for those who would otherwise enter or remain in rented accommodation, including some existing owner occupiers when their circumstances change for the worse.

- 3.33 Purchasers take as large a share as they can afford to start with, that is, 50 per cent, 62.5 per cent or 75 per cent, and can increase their share at any time. The larger their share the lower the rent they pay to NICHA. Properties can be sold at any time provided that the purchase price is acceptable to NICHA's valuer.
- 3.34 In my report last year, the Department indicated that it was updating procedural guidance for NICHA and that as a consequence of the Department's concerns at the levels of funding allocated to the Co-Ownership scheme it had commissioned specific research aimed at demonstrating the benefits of the scheme. The Department has now told me that the procedural guidance for NICHA has been updated and that reports commissioned by the Department to address its concerns have also been completed and are currently with the Department of Finance and Personnel for consideration.

Whilst I acknowledge that the Department have been proactive in enhancing control and monitoring within Northern Ireland Co-Ownership Housing Association I am concerned with the Internal Audit findings noted in paragraph 3.31. However, I note that the Department told me, in response to similar concerns in last years report, that it anticipated NICHA would come under the remit of the proposed Regulatory and Inspection Unit (paragraph 3.15) which was to commence operations from 1st April 2004. I intend to keep the control and monitoring issues within NICHA under review and further report in 2004-05 if necessary.

Review of Constructionline

- 3.35 Constructionline is a Public Private Partnership between Government and Capita Business Service. With effect from 1st November 2002, the single register replaced all existing pre-qualification arrangements for the selection and appointment of consultants and contractors. This includes Housing Association schemes where the Department for Social Development is providing the majority or part of the capital funding. I reported last year that the Department anticipated that the register would reduce the financial and administrative burden on Housing Associations and that advice had been issued to Associations on the implementation of this new policy. The Department have told me that since its implementation in November 2002, Constructionline has been used successfully for 191 schemes submitted during the two year period.



3.36 As noted in paragraph 3.16 my staff examined schemes where development had been completed and final grant payments made during 2003-04. It follows, therefore, that due to implementation timescales, Constructionline had not been applied on any of the schemes examined and I have not yet been able to form an opinion on its effectiveness. However, during visits to Housing Associations, my staff found that although Constructionline was still bedding into the processes, most Associations recognised the benefits in the long term. I intend to review the application and effectiveness of Constructionline as part of my audit of the 2004-05 account.

Summary of Audit Findings

3.37 My audit findings in paragraph 3.11 to 3.36 indicate that a number of weaknesses in financial control and monitoring at both Departmental and Housing Association levels remained during 2003-04. These weaknesses related to schemes which had reached practical completion prior to the opportunity for Housing Associations to implement NIAO recommendations from previous audits. However, it is encouraging to note that Housing Associations have indicated that they have been proactive in implementing improved controls and procedures in line with Departmental and audit recommendations. Therefore, I would expect to see further improvement in scheme management during 2004-05 when I anticipate newer schemes to have incorporated my previous recommendations.

3.38 As noted in paragraphs 3.15 and 3.29 above, I consider the setting up of the New Regulatory and Inspection Unit as essential if the Department's control and monitoring of Housing Associations is to improve to an acceptable level.

3.39 As indicated in paragraph 3.34, I intend to keep the control and monitoring issues within NICHA under review, and report if necessary.

3.40 As I have also indicated in paragraph 3.36, I propose to further review the application and effectiveness of Constructionline by Housing Associations during my 2004-05 audit.

Conclusion

3.41 On the basis of my specific findings in paragraphs 3.11 to 3.36, I have to conclude that the Department's financial controls and monitoring of grants to Housing Associations continues to be insufficient. I am encouraged to see the Department has been proactive in ensuring previous audit recommendations and good practice is being promoted in Housing Associations, but I have concerns over the adequacy of the Housing Associations' financial control and monitoring of expenditure on individual schemes. In the absence of proper controls I have decided to qualify my audit opinion.



Part 4: Schedule 2 – Qualified Audit Opinion Arising from Weaknesses in Financial Control and Monitoring of Expenditure in Relation to Urban Development and Community Development Grants to Voluntary and Community Bodies

Request For Resource C : Urban Regeneration And Community Development

Introduction

4.1 One of the Departments key strategic objectives is "to tackle disadvantage amongst individuals, communities and neighbourhoods, with particular emphasis on greatest need and encouraging developing and supporting community development". During 2003-04 the Department paid out £67.8 million (2002-03 £45.4 million), in respect of expenditure on Urban Regeneration and Community Development grant.

This part of the report details;

- Background to urban regeneration and community development (paragraphs 4.2 to 4.5);
- NIAO Audit Approach, Findings and other issues (paragraphs 4.6 to 4.30); and
- Summary and Conclusions (paragraph 4.31 to 4.33).

Background

4.2 The Departmental Resource Account (Request for Resource C) includes expenditure by the Department for Social Development on urban regeneration and community development. This covers physical and social regeneration by way of Urban Development grant in Belfast and Londonderry, expenditure on Comprehensive Development and Environmental Improvement Schemes, grants under the Community Regeneration Improvement Special Programme in urban areas outside Belfast and grant in aid to Laganside Corporation. In addition it covers the implementation of the Making Belfast Work and Londonderry Regeneration Initiatives, the payment of grants to voluntary and community organisations and has responsibility for the facilitation of payments from certain European Funds and Programmes. Much of the expenditure is administered through third parties such as: Intermediary Funding Bodies; community groups; voluntary organisations; and statutory bodies.

4.3 The Urban Regeneration and Community Development Group (URCDG) within the Department is charged with the management of this expenditure and has been organised into the following sections:



Belfast Regeneration Office (BRO) – consists of a Physical Development Branch, four Area Teams and a Central Administration Unit. BRO administers two European Union Grant Programmes, Comprehensive Development Scheme Grants, Urban Development Grants and grants to voluntary and community groups located in the most deprived areas of Belfast;

North West Development Office (NWDO) – consists of a Physical Development Unit, Local Neighbourhood Renewal Unit, Regional Strategies Unit and a Business Support Unit. Programmes and schemes administered by the Directorate include Peace II, Measure 2.11; the Urban Development Grant Scheme and the Local Community Fund. NWDO is also responsible for monitoring the implementation of the Regional Development Strategy in the North West;

Regional Development Office (RDO) – is responsible for urban regeneration in towns and villages outside Belfast and Londonderry and developing lands in former New Towns. The Directorate consists of three regional offices, Land Services which manages the sale and running of the New Town lands and a Headquarter unit. RDO administers a number of programmes including CRISP (Community Regeneration & Improvement Special Programme) and CERS (Community Economic Regeneration Scheme) projects which are funded jointly with the International Fund for Ireland (IFI);

Voluntary and Community Unit (VCU) – consists of five policy teams dealing with key aspects of the voluntary and community sector throughout Northern Ireland. These include infrastructure development, capacity building, volunteering, community development, charity regulation, sustainability and neighbourhood renewal;

European Union Unit (EUU) – co-ordinates and reports on the department's activities in relation to the four EU funding streams namely Peace II; Building Sustainable Prosperity; Urban II and Interreg IIIA. In addition to providing advice and guidance on procedures and actions the Unit has a monitoring and verification role under the EC Regulations. The Unit is also responsible for the operational closure of the Programmes when completed; and

Belfast City Centre Regeneration Directorate (BCCRD) – which works with a range of public and private sector groups in order to regenerate and promote Belfast City Centre as the regional centre for shopping, leisure and business in Northern Ireland. Examples of schemes undertaken by BCCRD include the Victoria Square Project and Laganside. In addition the Directorate carries out promotional and public realm work to promote and enhance Belfast City Centre.



4.4 Expenditure during the year by the Department on urban regeneration and community development across the group was:

	2003-04		2002-03	
	£m	£m	£m	£m
Central administration		7.7		6.6
Urban Regeneration Programmes:				
BRO	6.2		13.6	
RDO	4.2		4.3	
NWDO	2.4		1.3	
BCCRD*	15.4		-	
Laganside Corporation	6.2		6.7	
		34.4		25.9
Grants to community and voluntary bodies		10.2		7.8
Grants under the EU Peace and Reconciliation Programme to voluntary bodies, community groups and statutory bodies, including Gap Funding between EU programmes		8.9		3.6
Grants under the European Regional Development Fund to district councils, community groups, statutory bodies and the private sector		1.7		0.6
Grants under the European Social Fund to community groups and Executive Programme Funds		3.7		0.5
Community Initiatives		1.2		0.4
Total		£67.8		£45.4

* BCCRD received £12.8 million income in respect of the Victoria Square development.

4.5 I have qualified my audit opinion in this area since **1999-00** on the basis of significant weaknesses in the Department's financial controls and monitoring of expenditure in this area.

NIAO Audit Approach

4.6 On the basis of the serious weaknesses in financial controls and monitoring identified in previous years, I again decided to focus my 2003-04 audit on those areas which I considered to be of greater risk to public funds. These are:



-
- Urban Regeneration grants made by Belfast Regeneration Office, North West Development Office and the Regional Development Office;
 - grants under the EU Special Support Programme for Peace and Reconciliation; and
 - grants to voluntary bodies and community groups made by the Department.

4.7 The approach to the audit was:

- a review of the work undertaken by the Department's Internal Audit Unit across URCDG in 2003-04 and an assessment of the impact of Internal Audits findings;
- a review of the work of Belfast Regeneration Office's Quality Assurance and Improvement Unit (QAIU) and its Review Panel, including testing a sample of projects subject to their review;
- a review of the work of North West Development Office Quality Assurance and Improvement Unit (QAIU); and
- specific testing of the operation and adequacy of key financial controls by examining a sample of projects funded by the Department during the year.

The findings of my audit are set out in paragraphs 4.8 to 4.23 below.

Audit Findings

Review of Internal Audit work

4.8 The first stage in the investigation process was a review of the work undertaken in 2003-04 on behalf of URCDG by the Department's Internal Audit Unit. The programme of work conducted by Internal Audit included the audit of 32 projects examined across the various business areas. Due to the extent of work carried out by Internal Audit, I decided to take assurance from their detailed testing. In addition to this I examined a sample of projects which is further described in paragraphs 4.20 to 4.21.

4.9 The 32 projects tested were split on an interim/final sampling basis. The interim sample covered 22 payments from April to September 2003. Figure 4, summarises Internal Audit's main audit findings and attributes them to individual projects. Internal Audit noted that "of the 22 projects examined, only 3 did not contain material error" and expressed concern that their "findings revealed the same issues arising as reported in previous examinations, both by themselves and NIAO". They concluded that "there is no discernible improvement in the quality of the work". Internal audit noted that "the interim sample was primarily in respect of projects processed prior to the introduction of revised procedures being introduced". To determine if the revised procedures had any impact on the quality of the work, they agreed that their final sample would cover applications received between 1st October 2003 to 31st March 2004.



4.10 The final sample consisted of 10 projects, split evenly between BRO and NWDO, as these were the only areas which fell into this category. At the time of their testing all of these files had progressed to the Letter of Offer¹ stage *i.e. no payments had been made*. The testing found that 8 out of the 10 cases examined contained errors (3 NWDO and 5 BRO). In respect of NWDO, Internal Audit said:

"although errors were detected in 3 of the 5 project files examined, Internal Audit consider that these errors are not as significant in comparison to the findings from the interim testing cases. The testing also indicated that whilst the NWDO QAIU process raised comments on the files examined, these were more along the lines of clarification rather than fundamental errors in the project. From this evidence Internal Audit is satisfied that management have reduced, both in terms of quantity and significance, the level of error within the project work and this therefore represents a marked improvement in the quality of the assessment and approval of projects within NWDO.

On a cautionary note, it should be remembered that this was a small sample of project files, and that all the projects were only at Letter of Offer stage. Testing during 04-05 would determine if these improvements have been consolidated".

From the findings on BRO's final testing, Internal Audit said:

"the work of QAIU (in identifying errors/non-compliance prior to the approval of a project) has led to a noticeable improvement in the quality of the files submitted to the Review Panel.

However the high level of error/non-compliance identified by QAIU also indicated that the quality of the frontline work remains poor, and this must be a continuing concern to management. Our testing also revealed that there were a number of issues which were not raised by the QAIU, however, Internal Audit is satisfied that the QAIU is making acceptable progress given the time needed to fully develop its expertise".

4.11 Despite the "signs of improvements in standards of more recent applications" Internal Audit consider that an overall assurance rating of "No Assurance"² for the Department's URCDG projects (and Internal Audits Annual Report for URCDG as a whole) in 2003-04 remains appropriate. The various weaknesses in key financial controls and monitoring of expenditure identified by Internal Audit throughout URCDG once again correspond closely to the findings of my audit (paragraphs 4.12 to 4.23). Where appropriate, the issues raised by Internal Audit have been highlighted in the Statement on Internal Control provided by the Accounting Officer in the Resource Account.

¹ "Letter of Offer" is the contract between the Department and the grant recipient

² No Assurance is defined by Internal Audit as "control is generally weak, leaving the system open to significant error or abuse".



Figure 4: Summary of Main Internal Audit Findings

	1	2	3	4	5	6	7	8
NWDO – Interim								
Maiden City Festival Committee	X		X					
Out & About	X		X					
The Old Library Trust	X	X	X		X	X	X	
Shipquay Street (EI Scheme)	X					X		
95 – 97 Spencer Road	X							
NWDO – Final								
City Centre Initiative	X		Tests Not Applicable*					
Bogside & Brandywell Womens Group	X							
Women into Irish History	X							
Clooney Hall Centre								
Waterside Area Partnership								
RDO								
Banbridge EI Scheme (Phase 2)	X					X	X	
Roslea	X				X	X		
Garvagh EI Scheme	X				X	X	X	
Kinawley CRISP								
Lonsdale Road CD Scheme								
VCU								
West Belfast Economic Forum	X		X					
Greater East Belfast Partnership Board	X	X						
North Down Community Network	X							X
Bogside & Brandywell Initiative	X	X					X	X
Lurgan Council for Voluntary Action	X							X
BRO								
Glasvey Environmental Imp Scheme	X				X			
St Oliver Plunkett Pre School	X	X						
Saints Youth Club	X							
Star Neighbourhood Centre	X							
Tullycarnett Community Forum	X		X			X		
Artability NI Ltd			X					
Springfield Charitable Assoc								
BRO – Final								
Inner East Youth Project	X	X	Tests Not Applicable*					
Ballymurphy Womens Centre	X							
Upper Andersontown Comm Forum	X							
Shalom House	X	X						
Gr Village Regeneration Trust	X	X						

Key

- 1 Insufficient evidence/investigation to support funding decisions
- 2 Insufficient liaison with other funders to establish level of alternative funding available/staging of payments
- 3 Inadequate letters of offer/non-compliance with terms and conditions of letters of offer
- 4 Failure to issue revised letters of offer as a result of fundamental changes to projects
- 5 Insufficient evidence to support payments
- 6 Inadequate financial control/monitoring of expenditure
- 7 Irregular payments (i.e. payments made outside governing authorities / no economic appraisal completed)
- 8 No action taken to confirm that monies issued to these projects under Interim Funding are eligible under the current EU Measure

* Projects only tested up to Letter of Offer stage and no payments were made, therefore these tests* were not applicable



Review of the work of Belfast Regeneration Office's Quality Assurance & Improvement Unit and its Review Panel

- 4.12 The Belfast Regeneration Office's Quality Assurance and Improvement Unit (QAIU) was set up with an aim to provide management with independent assurance on the accuracy of the payments made and where necessary, to make recommendations to improve quality by addressing any significant concerns identified. Assurance was obtained by performing payment checks on a random sample on a monthly basis. The check was restricted to determining whether sufficient documentation was held on file to support the payment made, and that the payment complied with the current letter of offer.
- 4.13 However, as a result of both NIAO and Internal Audits findings, which identified the Area Team project assessment process as one of the main areas of risk, a Review Panel was also established within Belfast Regeneration Office in October 2002. Its aim is to provide management with independent assurance on the completeness of evidence held on the project file to support the recommendation to approve funding. It does not approve projects as the responsibility for this lies with the relevant Area Project Leader³. The Review Panel comprises of the Director of BRO, the Head of QAIU, the Head of Central Administration Unit, an Area Project Leader on rotation and a senior officer from the Group's Planning and Governance Unit.
- 4.14 QAIU also provides administrative and technical support to the Review Panel. It performs initial checks to ascertain whether area teams have adequately completed the project application process including the adopted Review Panel pre-approval checklist, before submitting the case to the Review Panel for consideration. Responsibility for ensuring the effective implementation of recommendations made by the Review Panel rests with the Area Project Leaders. However, where issues raised are deemed to be significant, the Review Panel may recall a project for reconsideration. Initially the Panel considered all projects above £20,000 which had been recommended for approval (*pre approval check*) and 20 per cent of projects below £20,000 which were approved during the previous month (*post approval check*). However, given the high level of comments being raised by the Review Panel, the Director of Belfast Regeneration Office decided to lower the level for referring cases to the Panel from £20,000 to £15,000 with effect from 11th April 2003. As a consequence of continued Review Panel findings, and the findings of my previous audits, the Director decided that from 29th July 2003 **all** project files should be referred to the Review Panel for scrutiny prior to their approval.
- 4.15 As part of my audit work on the 2003-04 Resource Account, my staff examined a sample of four QAIU payment check cases and eight Review Panel cases from across the various Belfast Regeneration Office teams, with a view to ensuring the quality and findings of their work.

³ Area Project Leader is the manager of each office.



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- 4.16 The QAIU cases were all examined on a "post payment" basis i.e. after payment had been made. There was clear well documented evidence of the examination of each payment, including notification to the Area Project Leader of the findings. I noted that many of the issues raised were similar to my own findings. However, it was difficult to form an overall opinion on whether QAIU has met its aims, as the monthly payment checks were not performed for the latter half of the year (October to March 2004). The Department told me that during the period October to March 2004, no payment checks were carried out by QAIU due to staff shortages and staff changes. Furthermore the Department indicated it has introduced an enhanced payments checking regime from 1st April 2004. On the basis of my findings, I have concluded that the work of the QAIU was of a satisfactory standard. However I am concerned that the payment checking did not operate for the full 2003-04 year.
- 4.17 All the Review Panel cases I tested were considered prior to the project approval and the issue of a formal Letter of Offer. The Review Panel's examination and review was found to be thorough with well documented findings, and in many cases, resulting in additional work being carried out by the teams to provide sufficient evidence prior to cases being cleared for approval. I noted that many of the issues raised by the Review Panel were similar to my own findings. Taking into consideration the number of measures the Department told me had been introduced in response to my report last year, I was disappointed with the number and the repetitive nature of the issues being raised on the files presented by the teams. I have concluded that the work of the Review Panel was satisfactory, and that their work is a valuable addition in providing management with independent assurance on the quality of decision making. The Review Panel was originally set up as "a control" on a pilot basis, for a six month period, with the aim of streamlining and improving the effectiveness of the checking procedures throughout the Belfast Regeneration Office area teams, thus reducing the level and nature of the weaknesses noted. However it has been in place now for over two years and is operating as a "checking mechanism" with no limit on its life. The Department told me that in evaluating the outcome of the pilot exercise, BRO management recognised the effectiveness of the Review Panel process, supported by the work of QAIU in ensuring the sufficiency of evidence in support of decisions to support funding. As a result it was decided to retain the Review Panel process as an effective management tool in addressing audit criticisms. While I recognise the role of the Review Panel and QAIU in introducing improvement, I am concerned about the continued failure by the Belfast Regeneration Office to achieve improved compliance first time.



Review of the work of North West Developments Office's Quality Assurance & Improvement Unit

4.18 In last year's report (HC 1202) I noted that a QAIU had been established in the North West Development Office. I stated that I intended to review their work as I was concerned at the level and nature of the weaknesses in financial control and monitoring of expenditure highlighted during the previous year's examination of North West Development Office projects.

4.19 This QAIU was established in October 2003 with the initial aims of addressing audit recommendations by providing guidance to staff and reviewing live files to secure audit compliance. During my review, I found clear evidence that in a relatively short period of time, these aims appear to have been achieved. There was also evidence of liaison with the Belfast Regeneration Office's QAIU and the sharing of information and best practice issues. However I have concerns about:

- the limited number of staff available in QAIU, which I believe restricts it's ability to review cases; and
- the fact that the Review Panel was not operational at the time of my testing to independently assess each case prior to it's approval.

The Department has told me that QAIU staffing in NWDO is currently being addressed and that NWDO Review Panel has become operational from the 21st September 2004.

At this early stage of its development, I do not propose to form a conclusion on the work of the North West Development Office QAIU. I do however intend to continue to review the operation of the new Unit during my audit of the 2004-05 account.

NIAO examination of project payments

4.20 The final stage of our investigation involved testing the operation and adequacy of key financial controls by examining a sample of projects funded within the risk areas identified in paragraph 4.6. My staff examined a total of nine projects selected randomly from payments made from April to September 2003 within the different areas under investigation. My testing of the nine projects revealed the same weaknesses as reported in my previous examinations. I therefore decided that the results of the nine projects and the detailed testing carried out by Internal Audit provided me with sufficient evidence on which to base my audit opinion. The detailed findings are set out in paragraphs 4.21 to 4.23 below.

Summary of Main Audit Findings

4.21 Of the nine projects examined by my staff, I have concerns in respect of five



projects which are summarised in figure 5 below. Projects handled by Belfast Regeneration Office, the North West Development Office, and the European Union Unit are involved.

4.22 Figure 5 below summarises the main audit findings and attributes them to individual projects. While in a number of cases one administrative weakness has automatically resulted in another, there are other instances where the weakness is stand-alone, that is, not interdependent. In my view the findings again illustrate the significant weaknesses in the Department's financial control and monitoring of the payments it makes to the various bodies. While the Department has been committed to addressing the issues raised as a result of both this and my previous audits, I would continue to encourage the Department to strengthen key financial controls in all areas where weaknesses have been identified.

Figure 5: Summary Of Projects And Main NIAO Findings

	1	2	3	4	5	6	7	8
BRO								
Kilwee Parish Centre			X	X	X	X	X	X
NWDO								
Galliagh Community Festival Committee			X			X		
Roe Valley Community Property Ltd			X		X		X	
North West Play Resource Centre			X			X		
EU Unit								
Lower North Belfast Community Council					X	X		

The four projects where no errors were found were handled by BRO, RDO VCU and EU Unit.

Key

- 1 Insufficient evidence/investigation to support funding decisions
- 2 Insufficient liaison with other funders to establish level of alternative funding available/staging of payments
- 3 Inadequate letters of offer/non-compliance with terms and conditions of letters of offer
- 4 Failure to issue revised letters of offer as a result of fundamental changes to projects
- 5 Insufficient evidence to support payments
- 6 Inadequate financial control/monitoring of expenditure
- 7 Irregular payments i.e. payments made outside governing authorities
- 8 Risk of conflict of interest

4.23 Examples of specific weaknesses in financial control and monitoring across of URCDG expenditure highlighted by my audit are set out below:

Inadequate letters of offer/non-compliance with terms and conditions of letters of offer

- letters of offer not specific regarding the timing of the project;
- letters of offer did not specify the expected timing for the receipt of project evaluation reports; and



-
- on one occasion the Department failed to ensure the revised letter of offer was accepted and a signed copy returned before making payments.

Failure to issue revised letters of offer as a result of fundamental changes to projects

- in one instance the Department failed to issue a revised letter of offer resulting in no formal contract between the Department and the group.

Insufficient evidence to support payments

- the Department did not receive documentation to support grant claims as required by the terms of the letter of offer; and
- on occasions the Department failed to obtain sufficient evidence to ensure there was no overlap of funding with other funders.

Inadequate financial control/monitoring

- failure of the Department to ensure the timing of receipts complied with the conditions of the letter of offer;
- failure by the Department to ensure the timely receipt of annual accounts;
- failure by the Department to ensure project progress and final evaluation reports outlining the outputs achieved against targets were received in accordance with letters of offer before paying final grant instalments; and
- one instance was noted where the Department had failed to identify amounts paid in excess of the maximum due.

Irregular payments, that is, payments made outside governing authorities

- payment of grant by the Department in advance of a commitment having been entered into by a grant recipient; and
- payment of grant by the Department in advance of pre-conditions of the letter of offer having been met by the group.

Risk of conflict of interest

- failure by the Department to ensure conflicts of interest do not exist. My testing revealed one case where building renovation work was awarded



to a contractor with the majority shareholding in that property. While there appeared to be no financial irregularity, the Department did not take the necessary steps to protect itself from the perception that a conflict existed and the possibility of litigation from other contractors.

- 4.24 In my report last year on the 2002-03 DSD Resource Account (HC 1202) I noted that the Department had told me it had almost completed a Business Improvement Review of the Belfast Regeneration Office. The Department has now advised me that this review has been subsumed into a wider BRO Change Management Strategy whose purpose is to conduct a fundamental review of how BRO operates and clearly articulate how the organisation needs to change in order to deliver the Neighbourhood Renewal Strategy successfully in Belfast. The final report is due to be completed by the end of February 2005.
- 4.25 Also in my report on the 2002-03 DSD Resource Account I continued to monitor progress on the internal review within URCDG of how payment systems and verification procedures should, in future, be structured to ensure greater effectiveness and robustness in control is achieved. The Department has told me that this review has now progressed and that the EU Verification Unit will be extending its remit to include independent verification of all programmes from January 2005. Research into best practice in other grant funding organisations, development of new streamlined processes for the group's key activities and consultation with IT to ensure that the new grant administration system has adequate IT support has also taken place. A generic procedural manual is due to be produced in April 2005 with training taking place immediately after issue. A central Advice & Guidance Unit which will provide support to all Business Areas including procedural guidance and training issues is due to be established in April 2005 and the development of the operating systems for this unit is currently underway.
- 4.26 In my last two years reports I have noted that the Department is engaged in an evaluation of a pilot computerised database of funding to the voluntary and community sector in Northern Ireland. The Department told me that the NI Funders Database is now operational across all Government Departments and the NIO and is being populated by all business areas. A cross departmental user forum has been established to ensure ongoing development and monitoring of the system. It is anticipated that the public website will be operational by 1st April 2005. HM Treasury has expressed a keen interest in the system.

Easing the burden on grant administration

- 4.27 Although my audit findings noted "insufficient evidence to support payment", I am very aware, as a result of representations from the voluntary and community sector, that they regard the volume and nature of requests from sponsor bodies as very considerable and in some cases an unreasonable burden. I am concerned



that the volume and type of information the Department is gathering may not be properly aligned with the requirements to authorise payments. I recommend that the Department makes greater use of risk assessment in its vouching procedures and improves the training of staff to assist them with the identification of essential and non-essential information.

Holywell Trust

- 4.28 I first noted my concerns regarding the adequacy of financial controls and monitoring of the European Regional Development Fund grant paid by Voluntary and Community Unit to Holywell Trust in my 2001-02 report.
- 4.29 The Department carried out an investigation in relation to the Community Organising and Capacity Building Programme run by the Trust. Their investigation highlighted a number of key control lessons which should be applied to applications of this nature. In last years report I noted my intention to assess their detailed response to the conclusions and recommendations, and to follow up the Departments identification of the amount of overpayment, and their pursuit of recovery as recommended in the report.
- 4.30 The Department responded to the recommendations and a final report of the investigation was issued in January 2004. I was disappointed to note firstly, the time it had taken to respond to the report, and secondly, the quality, and in some cases the briefness of the responses. It did however identify a number of improvements made by Voluntary and Community Unit, and I intend to test these improvements during my audit work in due course. The Department told me that the Voluntary and Community Unit is currently considering further advice received from the Departmental Solicitors Office on the 27th September 2004 regarding potential recovery action which may be appropriate. In my view it is imperative that the Department takes immediate and appropriate action to draw this matter to a satisfactory conclusion.

Summary of Audit Findings

- 4.31 The results of my audit testing and that of the Department's Internal Audit clearly indicate the continued serious weaknesses in the controls and monitoring of expenditure in this area by the Department. Despite a number of initiatives within the URCDG, the level of weakness remains unacceptable. I have reported on weaknesses in this area for a number of years now and I strongly recommend that the Department responds urgently to the issues raised in this report and in reports issued by Internal Audit. I will continue to monitor progress during the year and report in my 2004-05 report. The Department has responded to the criticisms through the following actions:

- A number of enhanced control measures were introduced in 2002-03 as



outlined in the Resource Account for that year. Internal Audit reviewed these and noted in their final audit review for 2003-04 that, "these changes have not been in effect for a sufficient period of time to have a major impact on the assurance rating for 2003-04." The Department also noted that the changes will, however, have been in place for the whole of 2004-05 and, as a consequence, should have a significant impact.

4.32 In addition, a number of new initiatives, as detailed below, have both been and are being put in place:


- A major project commenced in August 2004 to develop and establish 'Common Systems' for assessing and processing grant applications across URCDG. This will provide a uniform approach for business practices thereby improving compliance, enabling staff to move between disciplines, reinforcing segregation of duties and enhancing the sharing of best practice;
- As detailed in the 2002-03 Resource Account report, a major re-organisation of RDO's structure came into effect on 1st April 2004. New processes and controls to strengthen management checks on programme expenditure and reduce the risk of error have been introduced and guidance and training has been delivered to staff on new procedures for making payments and monitoring and evaluating projects;
- A risk management approach to verification and monitoring of grants is being implemented by VCU. The risk assessment will be based on the amount of grant awarded, the type/standing of the provider, the financial systems and controls in place and the management of the project. The revised practice will reduce the amount of original documentation required by the Department and will ultimately lead to reduction in the level of verification and monitoring undertaken. Information seminars have been held for grant applicants and staff;
- The level of checking of procedures by the Quality Assurance and Improvement Unit in BRO has been enhanced in relation to project assessment/appraisal, project payments and project monitoring/evaluation. Procedures are regularly reviewed and updated;
- A quality checklist has been developed to enable the Group to monitor payment accuracy and achievement on a uniform basis. This will be effective from November 2004;
- URCDG remains committed to training and developing its staff in all disciplines. An example of this is the establishment of a bespoke training scheme in relation to Grant Administration developed in conjunction with CIPFA;



-
- The computerised database of funding to the voluntary and community sector in Northern Ireland, as declared in the 2002-03 Resource Account report, became operational in April 2004 and is led by VCU across Government. This will be an essential tool in helping to avoid duplicate funding;
 - A Business Support Units forum has been established to share best practice across the Group;
 - A "Good Practice in Governance and Finance" guidance manual which has been developed in a joint exercise between the Department and representatives from the voluntary and community sector will be published in December 2004;
 - New case appraisal notes and standard proformas are being developed to ensure that all appropriate justification is provided to support all funding decisions;
 - A common set of delegation limits to approve cases is being developed to ensure greater consistency and clarity across the Group;
 - The Quality Assurance Units and Review Panels will continue to be key elements of Management Control. The development of the quality checklist, as described above, will further enhance the effectiveness of both bodies; and
 - From September 2004 URCDG has full representation from the Finance and Governance Section on the Group Management Board. This will help to maintain the Boards focus on key Financial and Governance issues.

Conclusion

4.33 On the basis of my audit findings in paragraphs 4.8 to 4.23, I have to conclude that the Department's financial controls and monitoring of expenditure in this area remain inadequate. As a result I am unable to determine whether the expenditure made was applied to the purposes intended and was regular. I have therefore decided to qualify my audit opinion accordingly.



J M Dowdall CB
Comptroller and Auditor General
28 October 2004

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