

# Social Security Agency Annual Report & Accounts 2008-2009







Social Security Agency  
Annual Report and Accounts  
For the year ended 31 March 2009

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

3 July 2009

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# Chief Executive's Report

I am pleased to present the Annual Report for 2008–09.

The Agency has improved performance for this year. The achievements are particularly commendable in view of the challenging environment in which the Agency has been operating including the impact of the economic downturn on benefit registers, delivery of our ongoing modernisation and change programme, the implementation of two major NICS change programmes, Account NI and HR Connect, and a requirement to live within our resources, which have been reduced by 5% as result of the 2008–11 budget settlement.

During the year the Agency has sustained its focus on reducing levels of fraud and error. In 2008–09 losses due to fraud and error fell to 1.2% of benefit expenditure which represents its best ever performance. The Agency, however, remains committed to sustaining further progress in this area.

Other noteworthy achievements this year are the successful introduction of the new Employment and Support Allowance (the first major new benefit since 2003) and major improvements to the way services are provided for pensioners through the completion of phase 1 of the Pension Transformation Programme.

It would be impossible to comment on the Agency's performance this year without reference to the economic downturn which primarily impacted the last half of the year. We have successfully dealt with a dramatic increase in benefit applications mainly for Jobseeker's Allowance.

The recession is likely to remain an ongoing feature of our operating landscape for some time. Recognising the vital role that the Agency has to play, managing the impact of the economic downturn has been made one of our key priorities for 2009-10.

The Agency's achievement and performance this year is due to our staff. I would like to congratulate all of our managers and staff for their commitment and hard work which has enabled the Agency to drive forward improvements and changes whilst delivering a quality service to our customers in this unprecedented environment. Again, I would also like to thank our Trade Union colleagues for their constructive engagement during the year.

The Agency has had an excellent performance in 2008-09, building on the achievements of 2007-08. There is no doubt 2009-10 will be an even more challenging year as the Agency strives to maintain the high quality of service to our customers, deliver its programme of change and modernisation aimed at ensuring long term business viability, cope with the impacts of the economic downturn, assess and plan for the impacts of the new Government White Paper on Welfare Reform all within the constrained financial landscape arising from the Budget settlement 2008-11 and the yet to be determined challenges of Budget 2009.



**Bryan Davis**  
Chief Executive

**29 June 2009**

Annual Report & Accounts  
2008-2009

# Directors' Report

## Part 1



# Directors' Report

## History and Statutory Background

The Agency was established as an Executive Agency of the Department of Health and Social Services on 1 July 1991. On the 2 December 1999, the Agency ceased to be part of the Department of Health and Social Services and became part of the newly formed Department for Social Development (DSD).

The NI Assembly was restored on 8 May 2007. The Assembly is the prime source of authority for all devolved responsibilities and has full legislative and executive authority. Margaret Ritchie was appointed Minister for the Department for Social Development in May 2007.

These accounts are presented to comply with a direction issued by the Department of Finance and Personnel (DFP) in accordance with section 11(3) of the Government Resources and Accounts Act (Northern Ireland) 2001.

## The Business

The Agency's main business is to:

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

The Agency delivers its services to:

- the people of Northern Ireland, with a population of some 1.7m; and
- the people living in 3 Districts within London.

Annex 1 provides more detail.

## Our Organisation

The Agency is managed by a five-member Board, employs around 5700 staff and provides services through a network of 35 Jobs & Benefits / Social Security Offices, three community benefit offices, the Benefit Shop in Belfast City Centre and a number of support branches. A number of benefits are delivered centrally, these are Disability and Carers Benefits, Incapacity Benefits, Employment and Support Allowance, State Pension and State Pension Credit. The Belfast Benefit Delivery Centre provides services for the DWP in Great Britain. We work under the terms of a framework document, which sets out our relationship with the Minister and the Department.

Members of the Agency Management Board during the year were:

Chief Executive	Bryan Davis
Director of Operations	Dr Colin Sullivan
Acting Director of Finance and Planning (from 1 April 2008 – 8 August 2008)	Stephen Boyd <sup>1</sup>
Director of Finance and Planning (from 11 August 2008)	Joyce Bill
Acting Director of Human Resources (from 1 April 2008 to 8 June 2008)	John Sinnamon
Director of Business Development	Colum Boyle <sup>2</sup>
Acting Director of Medical Services	Dr Brian Wallace

## Conflict of Interest

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

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## Pension Schemes and Associated Liabilities

Present and past employees of the Agency are covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)) which is an unfunded and essentially non-contributory defined benefit scheme. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Agency makes employer contributions towards the cost of pension cover for its staff and these are charged to the operating cost statement as they accrue. There is a separate scheme statement for the PCSPS(NI) as a whole. Further details are provided in the Remuneration Report (Part 4) and in notes 1.16 and 3 to the accounts.

## Audit

These accounts have been audited by the Comptroller and Auditor General for Northern Ireland whose Certificate and Report appears on pages 71 to 73.

The notional audit cost is shown in Note 4.4 to the accounts.

There was no remuneration paid for non-audit work during the year.

<sup>1</sup> Employee of the Agency until 21 September 2008

<sup>2</sup> HR responsibility was subsumed within this post from June 2008

# Annual Report & Accounts 2008-2009

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all the steps he ought to have taken to ensure that he is aware of any relevant audit information and to establish that the auditors are aware of that information.

# Management Commentary

## Part 2



# Management Commentary

The Agency's key priorities for 2008-09 are:

- **Delivering Better Customer Service**
- **Delivering Change**
- **Promoting Benefit Entitlement**
- **Reducing Fraud and Error**
- **Debt Recovery**

The Agency's targets are set in line with these key priorities.

## Performance against Key Targets

The Agency's Business Plan for 2008-09 produced at the beginning of this year has its origins in the Department for Social Development's Corporate Plan 2008-11. It sets out how the Department will deliver on its responsibilities under the Executive's Programme for Government and the overall priorities for social development. Each department takes forward planned outcomes for the citizen in the form of Public Service Agreements (PSAs).

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### Performance against Public Service Agreement (PSA)

The Agency's contribution to the delivery of key targets and milestones is included within **PSA 7: Making People's lives better by driving a programme across Government to reduce poverty and address inequality and disadvantage.**

To help the Agency achieve this PSA objective a number of milestones and targets were set. A review of the Agency's performance in 2008-09 against the PSA milestones and targets is set out in the following table:

PSA 7 (1)	Milestone 2008-11	Target 2008-09	Result	Final Status
Take forward action to provide for measurable reductions in the levels of poverty and particularly child poverty.	By October 2008 to have implemented the new Employment and Support Allowance.	By October 2008 to have introduced the new Employment and Support Allowance benefit for all customers making a claim due to a health condition.	A new, work-focused benefit – Employment and Support Allowance (which replaces Incapacity Benefit and Income Support paid on the grounds of incapacity) was successfully introduced in NI in October 2008, in parallel with the GB timescale.	Achieved
	By December 2008 to have implemented a new operating model for the delivery of social fund.	By December 2008 to have implemented a new operating model for delivery of social fund.	Standard Operating Models (SOMs) for Funeral payments, Sure Start Maternity Grants, Community Care Grants, and Budgeting Loans implemented from January 2009 and completed March 2009. Implementation of the SOMs for delivery of face-to-face Crisis Loans and the Review and Recovery processes to be completed for August 2009. Project closure by November 2009.	Likely to be achieved with some delay.
	By December 2010 to have implemented a new operating model for delivery of services to pensioners.	By March 2009 to have introduced a new operating model in State Pension and State Pension Credit to deal with both claims and changes of circumstances.	Roll out of new operating model for Fresh Claims complete. Roll out of Change of Circumstances (COC) for State Pension only customers commenced on 23rd Feb 09. Roll out of State Pension Credit COC go-live deferred from May 09 to September 09.	Likely to be achieved with some delay
	By March 2011 to have completed, in partnership with the Department for Employment and Learning, the roll out of the Jobs and Benefits service.	By December 2008 to have commenced the final phase of the roll out of the Jobs and Benefits service in line with the Strategic Business Review.	Work is well advanced on the new Ballymena and Andersonstown Jobs and Benefits Offices, due to open in March and May 2010 respectively. In addition a procurement exercise is being taken forward to appoint a developer to complete work on the Newcastle Jobs and Benefits office. Work continues on updating of project's Outline Business Case and economic appraisals for the final offices.	Likely to be achieved with some delay
	Meet published annual targets for implementation of the key outcomes of the Social Security Agency's Strategic Business Review.	Finalise the preferred option for the Strategic Business Review by December 2008 and commence implementation by April 2009.	Good progress was made during 2008/09 with the completion of the Outline Business Case and the commencement of public consultation. However, the large consultation response and the high degree of political scrutiny have meant that the 2008/09 milestones have had to be replanned. The formal Equality Impact Assessment (EQIA) consultation was launched on 23 April 2009 with a completion date of 17 June 2009. The outcome of the consultation process will inform Ministerial decisions for the way ahead.	Likely to be achieved with some delay

PSA 7 (1)	Milestone 2008-11	Target 2008-09	Result	Final Status
	By December 2009 to have implemented revised Medical Support Services Structures.	By March 2009 to have obtained approval for contract award for the revised Medical Support Structures.	The Agency is taking forward a procurement exercise to put in place appropriate measures which ensure that sustainable arrangements are in place using a third party service provider. The procurement is reaching its final stages and it is anticipated that medical support services should transition to the private sector partner in late 2009.	Likely to be achieved with some delay

### Performance against Other Business Plan Targets

Business Plan Targets 2008-09	Target Figure	Result	Final Status
<b>Fraud &amp; Error</b> By March 2009 reduce the amount of fraud and error by 5% compared with the 2007/08 outturn.	5%	7.5%	Achieved
<b>Continue Debt Recovery</b> By March 2009 we will recover £9m of benefits incorrectly paid out through fraud and error.	£9m	£9.2m	Achieved
By March 2009 we will recover £7m of benefits which have subsequently been repaid through compensation.	£7m	£5.9m	Not Achieved
<b>Financial Accuracy*</b> By March 2009 achieve overall financial accuracy of total expenditure on our main benefits as follows:			
Income Support	99%	98.4%	Achieved within tolerance
Jobseeker's Allowance	99%	99.4%	Achieved
Incapacity Benefit	99%	99.1%	Achieved
State Pension	99%	99.8%	Achieved
State Pension Credit	98%	95.3%	Not Achieved
Disability Living Allowance	98%	99.7%	Achieved
<b>Clearance Times</b> By March 2008 achieve average actual clearance time targets for our main benefits as follows:			
Income Support	12 days	10.3 days	Achieved
Jobseeker's Allowance	12 days	11.6 days	Achieved
State Pension Credit	15 days	15.0 days	Achieved
State Pension	18 days	18.0 days	Achieved
Incapacity Benefit	22 days	21.8 days	Achieved
Disability Living Allowance	47 days	41.0 days	Achieved

Business Plan Targets 2008-09	Target Figure	Result	Final Status
<p><b>Promoting Benefit Entitlement</b> Implement a benefit uptake programme in relation to client groups, including contacting 25,000 people this year with a 6% successful claim rate for our comprehensive assessments.</p>		<ul style="list-style-type: none"> <li>Over 25,000 invitations were issued to customers.</li> <li>24,829 customers were invited to have a benefit assessment through Citizens Advice. 6% of customers made a successful claim to benefit.</li> <li>As a result of this exercise it is estimated that £12m of extra benefit (including arrears) will be generated over a 12 month period to approximately 4,000 customers.</li> </ul>	Achieved
<p><b>Underpayment</b> Ensure that underpayments remain a key focus of our Programme Protection activity.</p>		<p>From April 2008 to March 2009 Programme Protection Activity has led to the adjustment of benefit in 17,200 cases to the monetary value of £41.6m of which 8,789 cases represented increased awards of £21.8m. Increases were awarded across most of the main benefits but particularly DLA and SPC cases. Increased awards are up 76% from 2007-08. It is intended that underpayments will remain a key focus of Programme Protection Activity.</p>	Achieved

\* Financial Accuracy target for Income Support met within tolerance (+ / - 1%)

## Performance against Additional Chief Executive Targets

Additional Targets 2008-09	Final Status
<b>Internal Control</b> <ul style="list-style-type: none"> <li>Ensuring, throughout the year, that controls are in place to provide acceptable (satisfactory) assurance levels of governance and control.</li> <li>Ensuring that we protect and handle the personal data of our customers securely.</li> </ul>	<p>Achieved</p> <p>Achieved</p>
<b>Efficiency Strategy</b> Deliver £1.8m of cash releasing savings.	Achieved
<b>Sustainability</b> <ul style="list-style-type: none"> <li>Deliver sustainable development action plan targets in the 6 key areas: waste, water, energy, estate, procurement and travel in line with Departmental priorities.</li> </ul>	Substantially Achieved (The majority of sustainable development targets were met in the year 2008-09 – targets in respect of paper reduction and paper consumption from post consumer waste were not achieved. Sustainability Report available on pages 40-41.)
<b>HR Strategy</b> To implement the HR Strategy, key targets include: <ul style="list-style-type: none"> <li>Developing workforce management and staff re-deployment strategies to provide effective Human Resource support for change.</li> <li>Ensuring we have the right number of staff with the right skills, at the right time to deliver our services.</li> <li>Reducing average staff absence levels to 11.8 days per person.</li> <li>Maintaining a positive working relationship with Agency Trade Union side through meaningful and timely consultation / negotiation.</li> </ul>	<p>Achieved</p> <p>Achieved</p> <p>Not Achieved</p> <p>Achieved</p>
<b>Training &amp; Development</b> Implement a focused programme of training & development designed to enable staff to be trained and proficient.	Achieved

## Financial Targets

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

The table below shows how much we spent against budget for 2008-09. These exclude non-cash costs.

		Budget (in £ millions)	Result (in £ millions)
Resources Budget	For Northern Ireland Services	163.8	162.4
	For Great Britain Services	18.6	18.1
Capital Budget	For Northern Ireland Services	0.8	0.1
	For Great Britain Services	0	0
Total Budget/Result		183.2	180.6

## Business Performance

The Agency is responsible for the provision of a wide range of benefits and services to our clients. It maintains a benefits caseload of approximately 800,000 for individuals living in Northern Ireland. During 2008-09 the expenditure on social security benefits was approximately £4.0 billion.

The Agency also provides a benefits processing service for DWP covering approximately 184,000 customers in London.

During the year the main business areas in the Operations Directorate were reorganised to separate the provision of benefits from the performance monitoring activity and to more closely align the structures with those in the Department for Work and Pensions.

The Agency's 4 main operational business areas are:

- Working Age (Network) which administers Income Support, Jobseekers Allowance, allocation of National Insurance numbers, Social Fund and the Belfast Benefit Delivery Centre ;
- Working Age (Central) which administers Incapacity Benefit, Employment and Support Allowance and provides Medical Support Services administration;
- Pensions, Disability & Carer's Service which administers State Pension, State Pension Credit, Disability Living Allowance, Attendance Allowance and Carers Allowance; and
- Benefits Assurance which delivers the monitoring and reporting of Financial Accuracy, levels of Fraud and Error and Decision Making standards, error reduction activity, counter fraud activity, benefit uptake activity and Operations Support.

The focus over the past year has been to manage performance to continuously improve decision making and accuracy, meet client expectations and to reduce financial error. All main business areas are managed through associated business plan targets which are derived from the Agency's priorities.

## Performance Targets

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### Overview

The Social Security Agency has again improved performance for this year. This performance is particularly noteworthy given the challenging environment in which the Agency has been operating. This included the impact of the economic downturn on benefit registers, primarily Jobseekers Allowance, the successful introduction of the new Employment and Support Allowance in October 2008, the introduction of Pensions Transformation, the ongoing modernisation and change programme; the implementation of two major elements of the NICS change programme, Account NI and HR Connect, and the reduced resources available as a result of the budget settlement for 2008-11.

### Fraud and Error

The Agency remains committed to reducing fraud and error, which is one of its five key priorities and continues to address the issue through a rigorous benefit security strategy. This strategy is effective and the levels of fraud and error are at their lowest recorded levels. The Agency achieved a significant improvement in reducing total losses of social security benefit through fraud and error from £47.5m<sup>1</sup> (1.3% of benefit expenditure) in 2007, to £44.5m (1.2% of expenditure) in 2008. Over the last 5 years the total estimated losses through overpayments have reduced by 37% from £70.7m in 2003-04 (2.2% of benefit expenditure) to £44.5m in 2008 (1.2% of benefit expenditure).

<sup>1</sup> The total losses of social security benefits through fraud and error for 2007, as reported in the published Social Security Agency Annual Report and Accounts for 2007-08, was £47.5m (1.3% of benefit expenditure). Following the application of the new methodology referred to on page 16, the figure for fraud and error has remained at £47.5m or 1.3% of benefit expenditure.

Identifying those cases not receiving their full entitlement and correcting benefit payments is an integral part of the Agency's strategy which gives equal priority to identifying and correcting underpayments and overpayments.

Monitoring has also identified underpayments in 2008 amounting to an estimated value of £19.7m (0.5% of expenditure), a reduction of approximately £6.4m from 2007, £26.1m<sup>2</sup> (0.7% of expenditure).

The Public Accounts Committee which investigated the Agency's efforts to reduce fraud and error in 2007-08 published its report on 29 April 2008. In it the Committee recognised the inherent complexity of the benefit system and the good work of Agency staff in delivering its services, often under difficult and pressurised circumstances. While the Committee recognised the efforts made, members also highlighted that there is more to do, and made a number of recommendations for improvement including improving staff skills and increased accountability. The Agency has been working on the implementation of the recommendations and to date 16 of the 22 recommendations have been fully cleared with another 6 partially cleared.

During the 2008-09 year a new methodology to enhance the rigour of the calculations for the annual estimate of fraud and error and the annual estimate of fraud and error as a percentage of expenditure was implemented.

To ensure full comparability of the results for 2008-09 and 2007-08, the figures reported within the 2007-08 annual report have been recalculated using this new methodology and performance has been presented accordingly. The figures presented within the Annual Report include the 2007-08 figures using the new methodology and those in the 2007-08 Annual Report.

## Financial Accuracy

Results at year end December 2008 show that despite the recent challenges posed to the Agency by continued modernisation of services and the effects of the economic downturn, 5 out of the 6 main benefits have either met their targets or met them within confidence intervals. Although State Pension Credit missed the target, its performance this year was the most improved having increased by a full percentage point on last year's performance. 5 out of 6 of the main benefits improved on last year's performance.

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## Clearance Times

At March 2009 all 6 main benefits achieved their clearance time targets. This is a significant achievement for the Agency given the range of challenges faced during the 2008-09 year. The performance on Disability Living Allowance (DLA) is noteworthy as the 47 day target has been achieved by 6 days at 41 days, showing 4 days improvement on the 2007-08 performance.

State Pension Credit and State Retirement Pension have also achieved their clearance time targets despite the challenges arising from the Pensions Transformation Project.

There has been a continued focus on managing performance and continuously improving decision making and accuracy to meet client expectations and reduce financial losses. Overall results show the Agency has met and exceeded its objectives in most areas.

## Working Age Benefits (Network)

Results in 2008-09 were very positive despite a range of challenges including high levels of vacant posts at the start of the year, inexperience in Income Support particularly in the Belfast offices because of the movement of staff to Employment and Support Allowance (ESA), child support reform and the

<sup>2</sup> The figure for the estimated value for underpayments reported in the Social Security Agency Annual Report and Accounts 2007-08 was £25m. Following the application of the new methodology this figure has been readjusted to £26.1m.

impact of significant workload increases particularly in Jobseekers Allowance caused by the economic downturn. The new claims intake for Jobseeker's Allowance increased by 73% on forecast and the unemployment register has risen over the course of the year by 85.8%.

The Agency has effectively delivered services to its customers meeting this challenge by closer working with Department for Employment and Learning (DEL), introducing a number of process changes, movement of staff to the frontline and by taking measures to maintain accuracy and timely response to customers. Despite these challenges, the Income Support and Jobseeker's Allowance Fresh Claims accuracy and clearance time targets were met this year.

There were 17,848 requests for National Insurance numbers this year which were processed in an average of 14 days. Whilst the number of requests for National Insurance numbers has declined from 24,097, the Agency has improved its processing time by 11 days from 25 days in 2007-08 to 14 days in 2008-09.

### **Working Age Benefits (Central)**

In June 2007 the Assembly passed the Welfare Reform Act (NI) which made provision for the introduction of a new, work-focused benefit – Employment and Support Allowance (ESA) – for those who are out of work due to illness or disability. The allowance, which replaces Incapacity Benefit and Income Support (paid on the grounds of incapacity) for new claims, was introduced in both NI and GB in October 2008, ensuring that NI maintains overall parity with GB in relation to social security.

ESA is the first major new benefit to be implemented since the introduction of State Pension Credit in 2003. ESA is part of a continuing programme of Welfare Reform which seeks to strike a balance between claimants' rights to welfare and their responsibility to seek work, and its aim is to increase employment opportunities for the ill and disabled. The Agency is responsible for the end-to-end processing of the allowance from first contact to payment, and has invested in the latest Information Communication Technology (ICT) systems, developed by the Department for Work and Pensions, to facilitate this. These systems include a Customer Account Management (CAM) system for data capture, a modified Job Seekers Allowance Payment System (JSAPS), which provides the core processing system for ESA, and a computer integrated telephony system that makes the telephone the lead channel of accessing ESA. This will allow the Agency to deliver a modern, efficient and responsive ESA service for customers.

As ESA is a new benefit no formal performance targets have been set within the 2008-09 year, however, performance on various aspects of ESA is monitored and reported daily to the ESA Centre Manager and weekly to Senior Management / Agency Management. For ESA, there have been inevitable issues which arise on the introduction of any new system and these are being managed.

Both the Claims Clearance and Financial Accuracy targets for Incapacity Benefit (IB) were met this year. IB Financial Accuracy has improved for the third year in succession and claims clearance performance has improved by over 3 days since March 2006.

### **Pensions Disability & Carers Service**

State Retirement Pension Claims Clearance and Financial Accuracy targets were met with Financial Accuracy at 99.8%.

While it is encouraging to note that financial accuracy has improved in the last three quarters and is 1.0 percentage point up on last year's out-turn figure at 95.3%, the financial accuracy target for State Pension Credit has not been achieved this year. This improvement is an indication that action being taken under the State Pension Credit Accuracy Improvement Plan is beginning to deliver results. Progress is being monitored closely. In addition State Pension Credit has continued to achieve the claims clearance time target despite the added pressure of introducing the Pensions Transformation programmes and increasing workloads of 48% above forecast.

The implementation of Employment and Support Allowance (ESA), and the completion of Phase 1 of the Pensions Transformation Programme (PTP) has impacted the measurement and reporting of new claims for Incapacity Benefit, State Pension (SP), and State Pension Credit (SPC). The clearance targets for SP and SPC were set for new claims processed in the non-PTP environment hence the targets are no longer relevant to the new environment in which these benefits are operating. Performance reporting against the IB clearance target ceased on 31 October 2008 due to the introduction of ESA on 27 October 2008, and for SP and SPC on 31 October 2008 and 31 December 2008 respectively, due to each benefit operating in the new PTP environment from those dates.

All future pensioners in Northern Ireland can request a forecast of their likely entitlement to State Retirement Pension electronically through the Government Gateway internet site: [www.gateway.gov.uk](http://www.gateway.gov.uk)

Claims clearance results for Disability Living Allowance (DLA) have exceeded target times and improved on last year's results. By March 2009 performance within DLA had improved by over 4 days in year since March 2008, and 11 days since March 2006.

The Financial Accuracy target for Disability Living Allowance has been achieved for the third year in succession, DLA has performed well this year at 99.7%, a 0.9 percentage point improvement on the 2007 reported performance of 98.8%. Overall there has been an improvement of 6.2 percentage points from 93.5% (2005) to 99.7% (2008).

The key actions and activities that have been fundamental in driving out this progressive and sustained improvement in DLA Financial Accuracy will continue.

## Benefits Assurance

To manage and address the risk of error, the Agency carried out a range of 'programme protection' related activities. During 2008-09, better targeting of programme protection activity has led to the adjustment of benefit paid. In almost 9,000 cases increased awards of £21.8m were made and in 8,200 cases overpayments to the monetary value of £19.8m were identified. Increased awards were made across most of the main benefits but particularly Disability Living Allowance (DLA) and State Pension Credit (SPC) underpayment cases. Increased awards are up 76% from 2007-08. Detecting and correcting underpayments will remain one of the key focuses of Programme Protection Activity.

Of the prosecutions decided in court during 2008, 512 resulted in people being convicted in the Courts for fraud totaling £3.7m. This figure included 4 people who received jail sentences, 74 suspended jail sentences, and 70 community service orders. In addition, a number of other sentences were imposed ranging from conditional discharges to fines. In comparison there were 396 convictions last year.

As a result of Benefit Security Services (BSS) work during this year benefits were adjusted to a value of £16.04m as well as £0.2m of losses identified through cheque fraud. This resulted in criminal sanctions being authorised in 1469 benefit offences. These sanctions included 950 offences referred to Public Prosecutions Service, 100 formal cautions, 405 Administrative Penalties and 14 cases referred to PSNI to continue criminal proceedings.

During 2008-09 the Agency's Financial Investigation Unit with running costs of £202k has, through its intervention, brought about the recovery of £537k of criminally obtained assets. This figure can be broken down as follows:

- Confiscation orders obtained through the Courts (£531k) and
- Voluntary payments negotiated prior to confiscation totalling (£6k).

In addition, during 2008-09, the Agency has received incentivisation payments totalling £49k from the Home Office. These monies have been returned to the Agency according to the Home Office Asset Recovery Incentive Scheme (ARIS) as a direct result of the Financial Investigation Unit's work. There is a further £104k due to be paid to the Agency when outstanding confiscation orders have been settled.

The performance on fraud and error which is delivered by Benefit Assurance is discussed on pages 15-16.

The Agency is committed to promoting benefit uptake across several client groupings including older people, those with a disability, carers and families to ensure that our clients receive the financial assistance and services to which they are entitled.

The Agency has successfully delivered its programme of benefit uptake, contacting 24,829 customers (25,233 letters were issued but 404 were returned due to the customer having died, moved house etc). The 6% target for customers with a successful claim was achieved by claims made through Citizens Advice (working under contract) or directly through the Agency. In further exercises, 84,659 customers were invited to claim State Pension Credit prior to the change in backdating in October 2008 and 8,171 new State Pension customers were advised of State Pension Credit prior to new operating model being introduced in the Pension Service. As a result of the successful delivery of the Agency's programme of benefit uptake exercises it is estimated that £12m of extra benefit (including arrears) will be generated over a 12 month period for approximately 4,000 customers.

### **Direct Payment**

The Agency has built upon the success of the Direct Payment system rolled out in 2004-05. Currently 97% of clients have their payments paid directly into their accounts against a target of 95%.

### **Debt Recovery**

The Agency has recovered £9.2m of debt due to fraud and error in the 2008-09 year, an increase of £1.2m over last year (£8.0m). This notable and significant achievement was as a result of the successful implementation of a Debt Recovery plan.

### **Compensation Recovery**

The Agency's target for Compensation Recovery was set at £7m for this year, a £1m increase on the £6m target set for 2007-08. This is a significant challenge as most of the factors driving compensation recovery are outside of the control of the Agency. The amount recovered in a given year is dependent on the type of accident, the period and the amount of benefit paid as a result of the accident. Whilst recoveries are in line with 2007-08 (£6m) target at £5.91m, the increased £7m target for 2008-09 has not been achieved. For 2009-10 the Compensation Recovery target has been changed from a single yearly monetary target to reflect the drivers of the level of recovery with two new Compensation Recovery Targets being introduced which better reflect, the factors which drive the level of recovery, the requirements of recovery legislation and maintain parity with our counterparts in GB. In addition the Agency recovered some £6.9m of health services charges.

### **Corporate Governance and Risk Management**

The Agency's Corporate Governance Framework outlines the decision making process in the Agency and specifies the roles and responsibilities of the various committees and Directors of the Agency.

The framework sets out the:

- Agency's methodology for identifying, assessing and managing risk;
- roles and responsibilities of those involved in the risk management process; and
- the link between risk management and the business planning process.

Throughout the year we continued to:

- identify all significant risks to our business;

- provide assurance that appropriate controls were in place; and
- monitor and update the Risk Management Register regularly at Board level.

### Internal Audit Programme

The audit programme for 2008-09 approved by the SSA Audit Committee consisted of a total of 32 assignments (including 3 follow-up reviews).

By year end, all 32 assignments were completed with 28 final reports and 4 draft reports issued.

Of the 28 final reports issued, 6 received substantial assurance, 13 received satisfactory assurance and 3 assignments received limited assurance ratings. Of the 3 follow ups completed, 2 were raised to substantial assurance and 1 to satisfactory assurance. An assurance rating was not appropriate in relation to 6 assignments. A Final report was also issued in respect of 1 assignment that remained outstanding at 31 March 2008, with a Satisfactory Assurance Rating.

These assurance ratings reflect the definitions included in DAO (DFP) 11-07 and were introduced across the NICS to provide a standardised system by Heads of Internal Audit to convey their opinions. The definitions of the assurance ratings are listed below:-

- **Substantial** – There is a robust system of risk management, control and governance which should ensure that objectives are fully achieved.
- **Satisfactory** – There is some risk that objectives may not be fully achieved. Some improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.
- **Limited** – There is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance
- **Unacceptable** – The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Urgent action is required to improve the adequacy and effectiveness of risk management, control and governance.

For the Agency separate assurance ratings are provided in the areas of Corporate Governance, Administration and Programme Expenditure.

Satisfactory Assurance was achieved in all three areas.

Therefore, the overall level of assurance for the Social Security Agency for 2008-09 is Satisfactory Assurance.

### Efficiency Delivery Plan

The budget settlement for the period 2008-09 to 2010-11 requires the Agency to achieve efficiencies of 5% per annum which equates to a total reduction in its spending power of some £53.2m over the three year period. These efficiencies, which have been deducted from our budget settlement, comprise both cash releasing efficiencies of some £19.8m and the need to absorb pay and price pressures of £33.4m. The Agency is required to report on its cash releasing efficiencies for the 2008-09 year of £1.763m. The Agency has effectively delivered its cash releasing efficiency target.

## Customer Services

Delivering the services we offer to our three main customer groups has been the focus of our work programme for 2008-09. We aim to improve the quality, accessibility and delivery of services to all our customers and continue to build closer liaisons with the voluntary sector.

**The following actions and initiatives were undertaken in the year:**

### Reducing Fraud and Error

Reducing Fraud and Error remains a key objective for the Agency and it employs a number of tools in seeking to achieve this aim. These include Accuracy Improvement Plans, Programme Protection Activity, Quality Forums and increased data matching to focus counter fraud and error activity in areas of greatest risk. In 2008-09 the Agency established an Agency Error Reduction Board to provide a more cohesive approach to tackling error. It also maintained and developed close working relationships with colleagues in DWP and Department for Family and Social Affairs (DFSA) on both a strategic and operational front. The approach is working and continues to deliver improvements year on year with fraud and error down from 1.7% in 2006-07 to 1.3% in 2007-08 and 1.2% in 2008-09.

During 2008-09 we also undertook an internal review of Benefit Security activity exploring the scope for generating further improvements to our counter fraud and error activity. The review has provided a platform for the Agency to improve processes further and to meet its future fraud and error targets, in more efficient and effective ways.

### Benefit Uptake

The Agency provided a range of services to ensure that people are advised of their potential entitlement to benefits. In 2008-09 this included outreach services, participation in local promotional activity which included attendance at the Commission for Victims and Survivors public meetings; the production of specific publications, some in minority ethnic languages; the Department's web site which gives advice on Benefit Entitlement; and general assistance with advice and information through our network of local and centralised offices.

The Agency's benefit uptake activity complements the work being taken forward under the Department's Fuel poverty and Office of First Minister and Deputy First Minister's (OFMDFM) Lifeline Opportunities.

Since 2005, we have taken forward several targeted initiatives to maximise entitlement including contracting with the independent advice sector.

Building upon the success of previous targeted benefit uptake activities, the Agency's 2008-09 Programme included:

- Contacting over 25,000 clients to offer a full benefit assessment through Citizens Advice (CAB) with the aim of increasing benefit awareness amongst carers, families and older people;
- Over 69,000 letters were issued to households comprising approximately 84,500 clients to increase awareness of State Pension Credit; and
- Over 8,100 clients were advised of their potential eligibility for State Pension Credit in a State Pension / State Pension Credit Linkage Exercise.

The Programme is due to be evaluated in June 2009. Lessons learned from this will be used to inform plans for future uptake activities.

All business areas maintained and developed liaison with a range of information and advice organisations to ensure potential customers were aware of benefit entitlement. These included the Citizen Advice Bureau, Royal National Institute of the Blind, STEER Mental Health Team, Woman's Aid

and the Simon Community. Outreach initiatives were also provided to vulnerable customers to ensure that they were aware of the full range of benefit/services available. In addition, we have also worked closely with the Department for Employment and Learning to assist employees in workplaces facing closure.

Looking to future benefit activity, the Agency commissioned an independent strategic review of Benefit Uptake which reported towards the end of 2008-09. The Agency will take account of this review, which broadly supports the Agency's current approach, in developing the Benefit Uptake Programme for 2009-10.

Representatives from the Agency also increased awareness of social security benefits at various information sessions throughout the year. These included the Young at Heart retirement exhibition for pensioners and public meetings organised by the Commission for Victims and Survivors.

New Attendance Allowance and Disability Living Allowance (Adult) claim forms were introduced on 24 November 2008. The revised claim forms have been reduced in length and there are additional notes which accompany the claim forms to assist with completion.

### **Jobs and Benefits Project**

The Agency has continued to work with the Department for Employment and Learning to enhance the services provided to customers and ease the transition from 'Welfare to work'. Currently 25 out of 35 Social Security Offices have been co-located with Job Centres in new Jobs & Benefits offices. Work is well advanced on the new Ballymena and Andersonstown Jobs and Benefits offices. Ballymena will open as a Jobs and Benefits office in March 2010 with Andersonstown opening in May 2010. A procurement exercise is being taken forward to appoint a developer to complete work on the Newcastle Jobs and Benefits office. Overall, the Agency remains committed to completion of the rollout of the Jobs and Benefits service in the remaining locations. These offices have, however, been impacted by the Agency's Strategic Business Review (SBR) which is currently developing a new service delivery model for the Agency's local office network. This will impact on the accommodation requirement for the final Jobs and Benefits offices and the project continues to monitor progress on SBR closely.

### **Strategic Business Review**

The project will continue to take forward the strategic review of the Agency's local office network. The review has been driven by the need to ensure that the Agency has an appropriate organisational structure in place which is viable in delivering services to our customers moving forward.

Good progress has been made in Phase 2 of the Strategic Business Review. The Business Case was approved in June 2008. The SBR proposals were then issued for the first phase of public consultation in October 2008. A significant number of responses were received and work is well advanced in the analysis of these and the development of an Equality Impact Assessment document.

Plans are now in place to complete the next phase of the consultation later in 2009 in order for Minister to make decisions on the way forward.

### **Pensions Transformation Programme**

The Pensions Transformation Programme (PTP) is an Information Technology (IT) enabled change which seeks to introduce telephony as the main customer access channel for State Pension and State Pension Credit customers. PTP will improve customer service and benefit uptake with a range of changes aiming to provide a service that is more accessible, that makes claiming simpler, with faster turnaround and which is more joined-up and personal.

PTP implementation is incremental and began with the successful introduction of the Pensions Transformation Telephony system into both State Pension and State Pension Credit in March 2008. In

May and June 2008, further functionality was introduced which provided a new way of processing new claims to State Pension and State Pension Credit. This has enabled claims to be processed through to completion while the customer is on the phone in cases where no additional evidence is required. This functionality was then extended in February 2009, to enable State Pension customers to report changes in their circumstances by telephone without the need to put their details in writing, in certain cases. This will be further extended in September 2009 to enable State Pension Credit customers to report changes in their circumstances in the same manner. It is expected that, PTP will be fully rolled out in both State Pension and State Pension Credit by March 2010.

## Liaison with Independent Advice Sector Organisations

Agency senior managers from Chief Executive to Assistant Directors met with equivalent representatives from the Advice Services Alliance on several occasions during the year to consider strategic and operational issues.

State Pension Credit (SPC) Managers meet quarterly with a group called Partnership for Pensioners (PFP) whose membership includes representatives of Citizen Advice, Help the Aged, Age Concern and Advice NI. These meetings provided SPC managers with an opportunity to provide the group with an overview of our business workloads and performance and the PFP group use the forum to keep informed about Pension Service's future strategies and plans as well as benefit entitlement issues. The groups are kept up to date on Customer Service contact details and Senior Managers progress specific issues raised. State Pension and Pensions Transformation managers also attend these meetings in order to provide an overall perspective of the Pension Service.

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

- (1) To enable DCS to seek the views of intermediary organisations who represent a broad spectrum of our customer base on operational delivery and proposed change initiatives that it is considering; and
- (2) To enable intermediaries to tell us of their concerns and also what they think is going well in terms of service delivery.

The subjects discussed were mainly local operational issues. Representatives were also briefed on proposed change initiatives, their views/input sought when necessary. In addition to this, these organisations have dedicated contact points throughout our business areas.

In addition during 2008-09 we have also held separate meetings with individual groups, such as the Royal National Institute of Blind People and Down's Syndrome Association.

The Jobs and Benefits office network organised a number of meetings with advice sector organisations. These included redundancy clinics, benefit uptake days and information days. Meetings have also taken place with representatives of the Irish Traveller community and young people groups. All offices also attend 6 monthly meetings with Northern Ireland Housing Executive (NIHE) and Land and Property Services (LPS), and senior management meet regularly with the Employment Services Board.

ESA Centre engaged with Macmillan Cancer, disability groups and advice workers from voluntary and political sectors. ESA attend meetings of the Disability Consultative Forum jointly with Incapacity Benefit Branch and Disability and Carers Service to discuss customer issues particularly those relating to vulnerable customers.

## Outreach Services for Older People

Older people are a priority customer group of the Agency and we are committed to making services, including good quality information and assistance, accessible through a range of channels including the telephone, our local office network, electronic services and face-to-face contact (including home visits where appropriate). A team of 20 Pension Advisers are geographically dispersed across the whole of Northern Ireland to complement and support the mix of channels that are available. The approach where customers or their representatives can make contact directly through the Pension Centre allows Pension Service staff to assess a customer's circumstances immediately and, where appropriate, arrange for a Pension Adviser to undertake a home visit to provide the Social Security benefit assistance that they require. Our telephony agents have the facility to take an application over the telephone and these staff work closely with our Pension Advisers to make Pension Services more integrated, easily accessible and customer focused.

## North/South Benefit Information Day

The seventh North/South Benefit Information Day was held in Cavan in October 2008 and was hosted by the Department of Social and Family Affairs (DFSA). The overall theme of the event was 'Contributing to a Caring Society'. The event was attended by 150 delegates from the Agency, the Department of Social and Family Affairs, and various voluntary and community sector organisations from North and South of the border. The presentations covered the Carers Administration and Strategy in DFSA and DSD as well as Macmillan Cancer Support, services for older people and Employment and Support Allowance.

## Pathways to Work

The Agency is closely involved in the Department for Employment and Learning led Pathways to Work initiative which since April 2008 is available throughout Northern Ireland having been first introduced in 3 offices as a pilot in October 2005. It offers support to people claiming an incapacity benefit to help them move towards and into employment.

The Pathways to Work regime has now been extended to include Employment and Support Allowance customers.

## Lone Parent Initiative/Changes

In line with the Government's policy to reduce child poverty, from 2 December 2008, the Agency introduced new procedures for claiming Income Support for lone parents with older children.

From this date lone parents with a youngest child aged 12 and over making a new or repeat claim to Income Support solely on the grounds of being a lone parent are not entitled.

From 26 October 2009, the new procedures will be extended to lone parents with a youngest child aged 10 and from 25 October 2010 to lone parents with a youngest child aged 7.

Alternative benefit support in the form of Jobseeker's Allowance and Employment and Support Allowance will be available. These are work focused benefits and are designed to assist the customer gain employment. This is regarded as a positive step to reduce child poverty. Existing cases will be affected from March 2009 to January 2011.

## Contingency Plans

During the year the Agency updated its corporate and local Business Continuity Plans to enable benefit payments to be maintained. In addition, the Agency's Flu Pandemic Contingency Plan was reviewed and updated on a 6 monthly basis to take account of new issues or concerns arising in this area.

## Interpretation and Translation Services

The Agency and DEL continued to provide telephone and face-to-face interpreting as well as a document translation service. Telephone interpreting is provided by 'thebigword' interpreting service, whilst face to face interpreting is provided throughout Northern Ireland by South Tyrone Empowerment Programme (STEP).

## Customer Charter Standards

Three customer charters containing the same generic standards were developed for our main customer groups. These are The Jobs & Benefits Customer Charter, developed in partnership with Department for Employment and Learning (DEL); The Pensions Service and the Disability and Carers Service charters. All charters are also available on the Internet in Arabic, Chinese, Portuguese and Spanish.

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

A list of the standards and performance in 2008-09 is shown below:

Service standard	Performance 2008-09
To acknowledge correspondence items within 2 days of receiving them.	We acknowledged receipt of 95.65% of correspondence items within 2 days
To answer correspondence within 10 days of receiving them.	We replied to 99.08% of correspondence within 10 days
To see customers within 10 minutes of any appointment they made and those who do not have an appointment within 15 minutes.	We saw 97.90% of clients with an appointment within 10 minutes We saw 92.55% of people without an appointment within 15 minutes.
To answer calls to direct-dial numbers within 20 seconds.	We answered 76% of calls within 20 seconds.

## Correspondence

During the year, the Agency received 196 written enquiries from Members of Parliament (MPs) and Members of the Assembly (MLAs). This was an increase in the number from the 137 enquiries received in 2007-08. At 31 March 2009, 190 enquiries had been cleared, all of which were actioned within the target deadline.

## Assembly Business

The Agency has continued to provide support to Minister, the Social Development Committee and Assembly Members during the last year.

Between April 2008 and 31 March 2009 the Agency answered 139 written Assembly Questions, 39 of which were priority questions, and input was provided for a further 39. This was a substantial increase on the previous year. 13 full Oral Questions were answered and input was provided for a further 8 questions. All questions were answered within agreed deadlines.

## Complaints Handling

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

The number of complaints received in 2008-09 was 1,372, which was a decrease of 42 on the number of complaints received in 2007-08, and continued the downward trend in complaints received by the Agency from a high of 2,881 in 2004-05. The Agency replied to 99% of complaints within the 10 day target. The Agency places great emphasis on learning from complaints. All business areas have this as a standing agenda item at their business area meetings and this has contributed to an improvement in meeting customer needs.

Service Improvement Managers in all offices register and monitor complaints in their areas. Customer complaints reports are obtained from all branches across the Agency to provide an overall Agency picture.

In December 2008 the Agency revised its Guide to Effective Complaints Handling and introduced a standardised Customer Complaints form.

For customers, details of our complaints procedure are set out in our leaflet *Making a Comment or Complaint* available in our local offices and our internet site: [www.dsdni.gov.uk](http://www.dsdni.gov.uk).

## Independent Case Examiner

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

During the year there were 8 referrals to the Examiner; 2 cases failed the gateway process; 1 case was withdrawn; the remaining 5 cases were accepted for investigation. 4 cases were carried forward from 2007-08, 2 cases were resolved with no review of evidence, 2 were resolved with full review of evidence and 2 cases were fully investigated however the complaints were not upheld.

### Complaints referred to Independent Case Examiner 2008-09

Category	
Complaints received 2008-09	8
Complaints not accepted (Failed gateway)	2
Complaints withdrawn	1
Complaints accepted for investigation	5
Complaints carried forward from 2007-08	4
Resolved – No further evidence required	2
Settlement – Resolved following receipt of further information	2
Investigated – Full investigation carried out and complaints now finalised	2
Number outstanding at year end	3

Customers can write to the Independent Case Examiner at:

The Office of the Independent Case Examiner  
PO Box 155, Chester, CH99 9SA

Or alternatively, visit the website at <http://www.ind-case-exam.org.uk>.

## Security of Data

The Agency places great emphasis on the secure handling and transfer of all data. Any personal data related incidents are fully investigated to see if controls can be improved and if any disciplinary action against staff is appropriate.

Throughout this year we continued to introduce improvements to our data handling and transfer arrangements. This included adhering to the new Departmental guidance on Information Transfers which includes working with the Department in relation to the encryption of all laptops. In addition all Agency staff were regularly updated on the Department's policy on the Safekeeping of Portable Government Assets.

The table below provides details of Personal Data Related Incidents for the Agency during the year:-

Personal Data Related Incidents 2008-09	
Number of incidents where personal data has been lost.	1
Number of incidents where access to personal data has not complied with Data Protection requirements	7

The Agency has fully investigated all incidents listed above and has taken appropriate action.

## Freedom of Information Act 2000 and Environmental Information Regulations

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

## Our People

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

### Training and Development Unit (TDU)

During the year TDU engaged in a number of initiatives to ensure that learning and development aligned with business needs. TDU, in conjunction with training partners, delivered training to meet core business, modernisation and skills development needs. The Agency's planned investment in learning and development for the year was £3.8m resulting in the delivery of approximately 27,000 training days.

### Social Welfare Summer School

The ninth annual North/South Social Welfare Summer School was held at Queens University, Belfast in August 2008. 41 students attended the School from across the Department for Social Development (DSD), including 4 from the Agency, and the Department for Social and Family Affairs (DFSA). As an exchange opportunity 3 students from the Agency attended the Department for Work and Pensions school in Kings College, Cambridge.

### Further Education

The Agency continued to support staff through the Further Education Programme, which provides financial support for course fees, books and equipment. This year, 62 staff were supported in their studies at an approximate average cost of £496 per member of staff.

A full detailed account of training and development activity is reported in our Annual Training Report for 2008-09.

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### Investors in People (IiP)

The principles of the Investors in People Standard are well embedded in the organisation and the Agency successfully retained Investors in People recognition following a review in March 2008 against the standard.

### Managing Attendance

Absence Management remains a key focus for both Agency Management Board and all managers within the Agency. The overall Departmental target for 2008-09 was 12.5 working days lost by members of staff, with the Agency aiming to achieve a target of 11.8 days. While the Agency is unlikely to meet either the Departmental or Agency targets, early indications are that the downward trend is continuing, showing positive progress. Final authoritative figures are not yet available from the Northern Ireland Statistics and Research Agency.

Throughout the year, we continued to apply our Managing Attendance Programme in the most effective way. Where possible, we have introduced improvements to our managing attendance process, ensuring that addressing absenteeism remains a priority at every level within the management structure. These improvements included closer working with the Occupational Health Service through regular meetings and case conferencing, a more concentrated focus on long term sick cases and a programme of visits to Grade 7 commands to heighten awareness of absence management. Plans are at an advanced stage for the introduction of the Managing Attendance Monitoring and Compliance Officers, who will be in

post from the beginning of the 2009-10 Business Year. All of this was delivered in line with the SSA's Absence Management Action Plan. In addition the Agency has initiated a review of absenteeism and the results are being finalised.

## Health and Support for Staff

The SSA is committed to supporting the health and wellbeing of its staff. SSA staff are encouraged to participate in the Occupational Health Service Lifestyle and Physical Activity Assessment Programme, which evaluates overall health and fitness, enabling staff to identify measures to improve their health. During 2008-09, the Agency also funded a major Health Awareness Roadshow Programme across 12 venues. Approximately 900 SSA staff attended these various Roadshows and feedback received was very positive. This was supplemented by the "Look After Yourself" Health Week, which encouraged staff to take responsibility for their own health and well-being. The Agency's Stress Enquiry Team and Staff Welfare Support Team continued to provide support for both managers and staff in dealing with stress, either in the workplace or elsewhere, or personal problems, such as bereavement or illness. During the year 380 referrals were made to the Stress Enquiry team, 270 of which were management referrals and the remaining 110 self referrals. The team continued to provide valuable support to staff and managers, ensuring that, where possible, staff remained in work or an early return to work was secured. From 1 October 2008, the Staff Welfare Support Team was transferred to the Department of Finance and Personnel as part of the centralisation of Welfare Services across the NICS. However, SSA staff can still access a dedicated team of staff from the Department of Finance and Personnel. A professional, confidential counselling service is also available to all staff and their immediate family members through our Employee Assistance Programme Provider, Carecall.

## Supporting Our Community

During the year, 15 Agency staff were seconded to voluntary bodies including Macmillan Cancer Relief, Nexus, Royal National Lifeboat Institution, Business for Business, the Princes Trust and Disability Action, making a positive contribution to their community. Over 1,300 staff in the Agency made charitable donations through the payroll system amounting to a total of over £112k in the year.

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A wide-range of local and national charities are supported by NI Civil Servants.

## Disabled Employees

As a good employer, the Agency takes its responsibilities to its disabled staff members very seriously. The Agency's Disability Liaison Team promotes opportunity and a positive attitude towards staff with disabilities, while providing advice, guidance and support on all disability related issues. As a result, the Agency endeavours to adhere to the legal requirements of the Disability Discrimination Act (2005) and Disability Discrimination NI Order (2006). The Agency continues to make adjustments for staff with disabilities where it is reasonable to do so. Such physical adjustments included adaptations to buildings, specialised computer equipment and multi functional chairs. Other non physical adjustments are considered where appropriate. The Disability Liaison Team continued to maintain valuable contact with a wide range of public and voluntary sector bodies with interest in the field of disability. Such bodies include Disability Action, Royal National Institute of the Blind, Royal National Institute for the Deaf, Department of Employment and Learning Access to Work and Workable Schemes.

## Dignity at Work

The Agency is an equal opportunity employer and is committed to creating and sustaining an environment where everyone is treated with respect and dignity, free from any form of inappropriate behaviour. The Agency takes any breach of the Dignity at Work policy seriously and ensures that formal investigations are undertaken when appropriate. Formal investigations are undertaken by HRConnect.

Staff are made aware of their responsibilities through regular circulation of the policy, which is easily accessible to all staff, attendance at training or through awareness sessions delivered by their managers.

## Employee Involvement

Agency Management Board encourages widespread consultation and exchange of information at all levels within the Agency. This is effected through meetings, team briefings, circulars, newsletter and Agency intranet. There are also well established arrangements for formal consultation with recognised Agency Trade Union Side (ATUS) representatives on all significant developments affecting staff.

## Industrial Relations

The Agency remains committed to the ongoing promotion of good industrial relations throughout its business. The Memorandum of Understanding (MOU) between the Agency and Agency Trade Union Side (ATUS) entered its fourth year and has continued to provide the framework for the day to day operation of Industrial Relations in the SSA.

Regular meetings took place throughout the year between ATUS and senior management to discuss the various programmes of work within the Agency. The majority of business areas within the Agency have Whitley structures in place and this has ensured regular contact between management and ATUS. In addition HR meetings were held bi-monthly, providing a focal point for Management Side and Trade Union Side (TUS) to discuss informally, current issues and developments in the Agency.

## HRConnect

HRConnect is the new Human Resource service for all the NICS Departments, and is an integral part of the NICS reform programme. The new service has transformed the delivery of personnel services to all DSD staff, as many of the associated transactional activities are now delivered through an outsourced shared service centre run by Capita. Decisions about personnel issues, however, remain with line managers and Departmental Human Resources.

The first 2 releases of the new service, External Recruitment and Employee Relations, were implemented in October 2007 and January 2008 respectively and were followed by Pay and Absence Management in November 2008 and Learning and Development in February 2009. Vacancy Management was implemented in April 2009 and integrated with External Recruitment to form a single resourcing service for the NICS. The remaining service, Performance Management, is due to be implemented in late May 2009.

Prior to each implementation, line managers and staff were briefed about the changes through line manager coach briefings, e-bulletins and on-line e-learning lessons specifically designed to provide support at the point of need. In addition, a network of 90 Super Users has been put in place to give additional support around the go-live period of all the service releases.

From April 2009, Human Resource services will be delivered by a newly-centralised Human Resource Division in the Core Department. This new Division brings together all of the retained Human Resource staff from the Department to focus on the development of personnel policy and strategy aligned to corporate objectives and business needs. Under the new structures, the Agency has a nominated Business Partner to support/advise the Agency Management Board on human resource policy, and to take forward specific human resource objectives and action to support the business.

## Recruitment and Workforce Planning

In late 2007, HRConnect took on responsibility for the delivery of the external recruitment to the Northern Ireland Civil Service for permanent and temporary staff to the Agency. From the 23 March 2009, this service has been extended to the filling of internal vacancies. HRConnect now provide a single integrated vacancy management service for all Northern Ireland Civil Service Departments and Agencies.

During the 12 months up to 31 March 2009, the Agency gave a priority to its workforce plan, recruiting 425 new permanent staff and promoting over 300 staff internally. The net vacancy position at the end of the year was just under 200 staff. For the incoming year, the Agency is working with the Northern Ireland Statistics and Research Agency (NISRA) to further develop the workforce planning model to inform the Agency's recruitment and supply of new staff from HRConnect.

## Financial Performance

### Administration and Programme Expenditure

The Agency accounts previously included both Administration Departmental Expenditure Limit (DEL) expenditure, and Annually Managed Expenditure (AME) derived from the DSD Request for Resources A. As part of CSR 2007 the Agency DEL expenditure was reclassified from Administration to Resource expenditure. It was agreed with the Department of Finance and Personnel that this was appropriate given the customer facing nature of the Agency's business.

AME expenditure includes social security benefits and grants and loans administered by the Agency and is funded from the Consolidated Fund, the Social Fund and the National Insurance Fund. DEL expenditure is funded exclusively from the Consolidated Fund. Further information on this is included in the notes to the financial statements.

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

### Performance Targets

The Agency succeeded in meeting its key corporate financial targets set by the Minister. Details of the Agency's performance against these targets are set out in Note 20 to the accounts.

### Business Review and Results for the Year

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

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

The Operating Cost Statement on page X shows the net operating cost of the Agency.

The net cost of operations for the year was £4.030bn (2007-08: £3.792bn), including notional interest of 3.5% on capital employed (2007-08: 3.5%). Capital expenditure for the year amounted to £0.103m (2007-08: £0.582m).

The net cost of operations has been calculated after inclusion of a number of notional costs which are currently outside the scope of the Agency's Departmental Expenditure Limits and Annually Managed Expenditure. Notional costs are detailed under Note 4.4.

There have been no post-balance sheet events from the balance sheet date to the date the financial statements were approved.

### Fixed Assets

Tangible fixed assets owned by the Agency are valued at net book value (Note 9).

During the year there has been no substantial investment in fixed assets. Details of the revaluations to fixed assets for the financial year are included in Note 9 and Note 14.2 in the Accounts.

The Agency's current estate management strategy is to maintain buildings for current use. In accordance with FRS 15, a valuation of land and buildings was completed within the 2008-09 financial year. This valuation placed an Alternative Use Value (AUV) of £14.5m on land and buildings. Given the current economic climate and the associated impact on land and building transactions, the AUV does not alter the Agency's current estate management strategy.

## Implementation of the Financial Instrument Accounting Standards

The Agency has adopted the Financial Instrument standards for the first time within its 2008-09 annual accounts. Further information on this issue is included within the notes to the financial statements.

## Remote Contingent Liabilities

The Agency has detailed a contingent liability in relation to the Pay Equalisation issues within the Northern Ireland Civil Service. This is in accordance with the guidance issued by DFP. Further information is included within Note 19 to the accounts.

## Political and Charitable Donations

The Agency made no political or charitable donations during the year (2007-08: £nil).

## Payments to Suppliers

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

From November 2008 the responsibility for the processing of payments for the Agency, and the Department transferred to the Department of Finance and Personnel, Account NI (ANI) Shared Service Centre. An initial review conducted to measure how promptly bills are paid following the migration to the ANI Shared Service Centre found that approximately 89.12% of bills were paid within the 30 day standard (2007-08: 98.5%).

In response to the current economic position the Department for Business Enterprise and Regulatory Reform (BERR) announced on 21 October 2008 that *“central Government has committed to paying businesses within 10 days - and we’re urgently speaking to the wider public sector to extend this commitment.”*

The Agency is committed to a prompt payment within 10 days.

## Payment Accuracy

The Agency’s Annual Report & Accounts includes a Payment Accuracy note which contains information on the way the Agency regularly monitors and reports on the estimated levels of fraud and error within the administration of social security benefits. This disclosure is included under Note 26 to the Agency’s Notes to the Accounts.

## Implementation of International Financial Reporting Standards (IFRS)

In accordance with other NICS organisations the Agency will implement International Financial Reporting Standards (IFRS) for the financial year 2009-10. The IFRS will effectively replace the UK based Financial Reporting Standards (FRS) as adapted for the public sector, that have been used to prepare the 2008-09 and previous years’ Agency accounts. The Agency is currently completing work to assess the full impact of the IFRS implementation. In accordance with DFP preparation requirements shadow Agency accounts for the 2008-09 financial year based on the IFRS will be prepared and submitted to the NI Audit Office for audit review.

## Future Developments

The incoming year presents new challenges to the Agency such as the economic downturn, the potential for additional efficiencies arising from the Budget 2009, and the impacts of the White Paper - "Raising expectations and increasing support: reforming welfare for the future". The previous planning undertaken by the Agency as part of the CSR 07 process could not have considered the full impact of these factors and these are not included in the budget settlement that arose from that process. This will mean that we are striving to deliver services to our customers in an unprecedented and demanding environment.

The Agency's five key priorities for the year ahead are intrinsically linked to the actions we will take to deliver our Public Service Agreement commitments and legal requirement to process all claims to benefit. They are therefore broadly consistent with previous years with a clear focus on delivering change and enhancing customer services. However this year, in recognition of the environment in which we will be delivering our business and the vital role which the Agency has in addressing the impact of the economic downturn by ensuring that those who become unemployed or otherwise affected receive the financial assistance to which they are entitled in a timely manner, the Agency has updated its priorities to include managing the impact of the economic downturn.

Over the coming year the Agency will strive to deliver the following key priorities:

- **Managing the impact of the economic downturn on our business**
- **Enhancing customer service**
- **Delivering change**
- **Reducing fraud and error and improving debt recovery**
- **Promoting benefit entitlement**

Moving forward, the climate in which the Agency is operating including reduced resources, increasing benefit registers and implementing major reforms will create a significant challenge which may impact on our capability to deliver our objectives to the same standard and our ability to maintain the high quality of services to our customers.

### Managing the Impact of the Economic Downturn on Our Business

The Agency's budget settlement for 2008-11 did not factor in the decline in the economic position and the impact that this would have on unemployment, benefit registers and related Agency workloads.

One of our primary objectives is to ensure that those people who become unemployed, or who are impacted by the downturn, and are accessing our services, receive the financial assistance to which they are entitled in a timely manner.

The Agency will continue to review and monitor the economic situation and work with our colleagues across the NICS and the Department for Work and Pensions to ensure that we have appropriate resources and take appropriate actions to deliver our services to those impacted by the downturn.

### Enhancing Customer Service

Our core aim is to deliver a reliable, responsive and respectable service to our customers. Agency frontline staff have the responsibility for assessing and paying social security benefits accurately and securely and they also provide an information and advice service. The Agency will continue to ensure that staff have the necessary training and skills to accommodate our customer needs, and to provide the correct advice and guidance to customers. This objective is also particularly pertinent in the current economic climate where some people are perhaps using our services for the first time.

The Agency has established accuracy and clearance time targets across the main benefit areas to ensure delivery of this objective. Accuracy targets have been set at the same level as last year.

The process improvements, which the Agency introduced in pensions have resulted in better service for customers and are reflected in the reduced clearance times for State Pension and State Pension Credit. The Agency have also significantly reduced the clearance target for new Disability Living Allowance claims.

The clearance time target for Job Seeker's Allowance (JSA) has been set at 14 days. This 2 day increase on last year is due to the increasing workload demands on JSA in particular, and is appropriate to our existing organisational structure, and our desire to maintain the focus on accuracy.

## Delivering Change

The Agency remains fully committed to the ongoing delivery of the Welfare Reform and Modernisation change agenda which is central to providing the platforms for long term business viability and delivering efficiencies. We also have a requirement to maintain parity with the Department for Work and Pensions (DWP) in the delivery of major welfare reform projects. Our customers will remain the focus of our process design and our plans for a fully integrated, accessible and modern service. The Agency's change programme, as discussed on page 36, is a critical element of this priority.

## Reducing Fraud and Error and improving Debt Recovery

In the year ahead the Agency remains committed to reducing fraud and error however it must ensure its actions are proportionate to the scale of the problem, that our counter fraud and error activity represents value for money and that it is directed at those areas most likely to deliver further reductions. Agency staff will continue to work closely, both at an operational and strategic level, with colleagues in the Department for Work and Pensions (DWP) and Department of Social and Family Affairs to explore new and more effective ways of reducing incorrectness. A recent review within the Agency has also identified scope to deliver further enhancements such as increased data matching, risk based targeting and improved systems for recording and analysing the causes of error. These efforts, combined with the ongoing work across the Agency to drive accuracy and quality, will help secure the benefits system and ensure those who are entitled will receive the help they need.

The Agency has responsibility for the recovery of public funds where benefits have been incorrectly paid out through fraud or error; and also the recovery of any specified social security benefits and Health Service costs which are paid as a result of an accident, injury or disease for which compensation has been awarded. The Agency will continue in our efforts to record and account for overpayments, and to be effective in securing recovery of benefits and costs where it is appropriate.

The Compensation Recovery target has been changed this year from a single yearly monetary target to two new targets which better reflect the requirements of recovery legislation and maintain parity with our counterparts in GB.

## Promoting Benefit Entitlement

Tackling poverty is a key issue for Government in Northern Ireland and is linked to our Public Service Agreement commitments. The Agency will continue its efforts to reduce poverty by increasing the uptake of social security benefits. The Agency is committed to promoting benefit entitlement.

Programme Protection activity will continue to focus on areas of highest risk and this includes the specific targeting of cases likely to be subject to underpayment. This activity will build on performance over the past three years which has already led to the payment of an additional £46m of benefits.

As with all of our business activities during the year ahead the Agency will strive to meet its planned objectives in relation to this priority. However, if the Agency's benefit workloads continue to rise we may be required to reassign our resources to fulfil our statutory requirements to pay benefit and maintain parity with the Department for Work and Pensions. (DWP).

## Change Programme

The Agency's Modernisation Programme is key, not only to improving public services but also to tackling social and economic problems. We will continue to work closely with our colleagues in the Department for Social Development, the Department for Work and Pensions, the Department for Employment and Learning and the voluntary and community sector.

During 2009-10 we will continue to deliver key modernisation projects including:

### Strategic Business Review (SBR)

The project will continue to take forward the strategic review of the Agency's local office network to ensure that it can provide a viable and sustainable quality service into the future.

In 2009-10 the consultation phase will be completed in line with plans approved by the Minister at which stage decisions will be made on the way forward.

### Jobs and Benefits

The Agency remains committed to completion of the Jobs & Benefits project in the remaining 10 locations. During 2009-10 work on Ballymena and Andersonstown offices, which is well advanced, will continue with Ballymena due to open in March 2010 and Andersonstown due to open in May 2010. By the end of the year it is expected that the procurement exercise to appoint a developer to complete work on the Newcastle Jobs & Benefits office will be completed and work will have commenced on site.

The remaining offices are, however, impacted by the Agency's Strategic Business Review (SBR) which is currently developing a new service delivery model for the Agency's local office network and which will impact on the accommodation requirement for the final Jobs and Benefits offices. The Jobs and Benefits project continues to closely monitor progress with SBR.

### Employment and Support Allowance (ESA)

The Agency successfully implemented the new Employment and Support Allowance. During 2009-10 the Agency will continue to administer this new benefit, and will deliver enhancements to the computer and telephony systems, which will further improve the responsiveness and efficiency with which we deliver ESA to our customers.

### Social Fund

The Agency will complete the introduction of standard operating models by August 2009, with the project closing in November 2009. Moving forward the Agency will continue to monitor the delivery of teleclaims crisis loans within the Department for Work and Pensions and determine if it is appropriate for our business.

### Pension Reform Delivery Programme

The Pension Reform Delivery Programme (PRDP) has been set up to implement the most radical changes to Pensions since the current system was introduced in 1948. Whilst the majority of reforms will not apply until 6 April 2010, legislation to allow people who reached or will reach State Pension age between 6 April 2008 and 5 April 2015 and meet certain other conditions, to buy additional contributions to increase their State Pension, was introduced from 6 April 2009. The project has also begun to issue a targeted mailshot to all women born between 6 April 1950 and 5 April 1955 to advise them of State Pension equalisation and how this affects them personally. This exercise will continue on a quarterly basis until January 2012.

## Pensions Transformation Programme

The Agency will complete its Pensions Transformation Project (PTP), by extending the use of telephony services which make the telephone the main access channel for customers. Full PTP rollout is expected to be complete by March 2010 when the new model already available within state pension and state pension credit new claims and state pension change of circumstances will be extended to cover change of circumstances in state pension credit.

## Medical Support Services

In light of growing demands for medical expertise and following a review of its Medical Support Services, the Agency is taking forward a procurement exercise to deliver sustainable service arrangements using a third party service provider. The procurement is reaching its final stages. It is anticipated that the service should transition to a private sector partner late in 2009.

## Welfare Reforms

The December 2008 Whitepaper "**Raising expectations and increasing support - reforming welfare for the future**" proposed further reforms of the welfare and benefits system to improve support and initiatives for people to move from benefits to work, including increased personal responsibility. The measures include

- the abolition of Income Support and transfer of all claimants on to either Jobseekers Allowance or Employment and Support Allowance;
- schemes for assisting people obtain employment;
- requiring work-related activity from Lone Parents and Partners of certain benefit recipients;
- a new regime that uses the benefit system to assist people move off drug dependency and towards sustainable employment;
- benefit sanctions for non-attendance at Jobs and Benefits Offices and for violent conduct in connection with claim for benefits;
- more power to tackle benefit fraud by strengthening the rules in relation to loss of benefit; and
- transfer of sick and disabled people from Incapacity Benefit and Income Support to Employment and Support Allowance.

Subject to the approval of Parliament and the Northern Ireland Assembly, the legislation providing for these reforms will become law by the end of 2009. We will work very closely with other government departments (including in particular the Department of Employment and Learning) to develop business processes and systems which will allow us to implement the reforms in Northern Ireland.

## Central Payment System

The payment of and accounting for the Agency's benefits is undertaken using the systems of the Department for Work and Pensions (DWP). The Central Payment System (CPS) is being implemented by DWP as a solution to current problems with the existing systems and its primary functions will be to process benefit payments in a safe, secure and timely manner and maintain proper accounting records for the related transactions. Implementation of the CPS will also reduce the risk of payment failure and the number of overpayments made to clients, whilst delivering efficiencies on the cost of the current IT estate. It will also provide a flexible platform to facilitate the introduction of new methods of paying benefit.

The Agency has established a Project to complement the work being undertaken by the DWP CPS Programme and ensure effective implementation appropriate to our business. The implementation of

the CPS will be completed on a phased basis and current plans involve migration over the period August 2010 to October 2011.

### **Account NI – DSD phase 2 Implementation**

Phase 2 of the implementation of the Account NI solution, is now underway and this involves the development and implementation of an optimum business operating model – the DSD Retained Finance Function organisation structure. This is a DSD corporate project that will impact on the finance-related roles and responsibilities across and between the different business units across DSD, including the Agency. The Agency is feeding into this process and will ensure that the new structures deliver its appropriate accountability and corporate governance requirements.

### **Method of Payment Reform**

The Method of Payment Reform Project is working with the cross Government Method of Payment Reform Programme to deliver replacements for the Post Office card account contract and the cheque encashment service. The replacement for the Post Office card account contract has been agreed with Post Office Limited. The new contract will commence in October 2009 and run to 2015 with an option to extend for a further two years to 2017. The new contract will deliver improved value for money and improved customer facing processes for account opening.

The replacement of the cheque encashment service is being managed by a cross Government Procurement team. The objective of the Simple Money Transmission Service Procurement is to deliver a modern, secure payment service for customers who are unable to manage a bank or post office account. A supplier for the new service will be selected during 2010 with the new service expected to be introduced from 2011.

# Sustainability Report Part 3



# Sustainability Report

## Environment

In compliance with the DOE's Towards Resource Management: The Northern Ireland Waste Management Strategy 2006-2020, Department for Social Development (DSD) introduced its Office Estate Sustainable Development Policy in April 2007 identifying the following key objectives: to become more environmentally efficient, to minimise the unsustainable impacts of consumption, to promote energy efficiency and the use of renewables and to protect and enhance biodiversity. This policy is underpinned by an action plan and targets on Key Areas where an impact can be made on the environment.

As an Executive Agency within DSD, SSA is committed to achieving the targets to support the overall aim of better environmental management which includes continual improvement of its environmental performance and the promotion of energy efficiency in the workplace. The following Key Targets have been identified.

### Key Target: Waste

The target is to reduce the amount of waste sent to landfill. The NICS Disposal of Confidential/ Non Confidential Waste Paper and Cardboard contract introduced in September 2006 included the facility to recycle cardboard and various other stationery items not previously recyclable. This has resulted in a reduction of the amount of waste sent to landfill.

### Key Target: Paper

Paper is the largest resource consumed by the SSA and it is the largest contributor of its waste stream. There are two specific targets in this category.

Target One is a 10% reduction per year in total paper consumption over the next four years taking 2005-06 as a baseline. Unfortunately, the target reduction for 2008-09 year against baseline was not met.

Target Two states that all paper used directly or by printers or for publications, to be derived from at least 70% post-consumer waste by 2006. This target was not achieved by the Agency in 2008-09.

### Key Target: Energy

The SSA provides annual energy use data to the Public Sector Energy Committee (PSEC) who collate the data in an annual report. The most recent report is 2005-06.

There are three specific energy targets:

- **Target One** is to source at least 10% of electricity requirements from renewable sources by 31 March 2008. The 2006-07 Public Sector Energy Committee report indicates that 28% of electricity consumed in the SSA during 2006-07 was purchased from renewable sources.
- **Target Two** is to reduce absolute carbon, from fuel and electricity used in buildings by 12.5% by 2010-11, relative to 1999-00. The 2006-07 Public Sector Energy Committee report records that absolute carbon emissions have fallen by just over 24% towards the 12.5% reduction by 2010-11.
- **Target three** is to increase the energy efficiency of the buildings measured in terms of kilowatt-hours (kWh) of fuel and electricity used per square metre of building floor area by 15% by 2010-11, relative to 1999-00. The 2006-07 Public Sector Energy Committee report records that energy performance per square meter of building area had improved by 22% from the base year.

### Other Key Targets:

The DSD Office Estate Sustainable Development Action Plan includes other key targets in areas which include Water, Estate, Procurement, Travel and Governance. SSA are actively pursuing the associated targets.

The DSD Action Plan can be accessed on the DSD Internet Site in the following location:

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

A Sustainability Report is produced by the Department and this is contained within its 2008-09 Resource Accounts.

Annual Report & Accounts  
2008-2009

# Remuneration Report Part 4



# Remuneration Report

## Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of NICS Permanent Secretaries in line with the agreed response to the annual recommendations of the Senior Salaries Review Body.

The pay award for staff in the Northern Ireland Senior Civil Service (SCS) is comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The non-consolidated bonuses are payable to a proportion of SCS staff as part of the annual pay award.

## Service Contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at [www.nicscommissioners.org](http://www.nicscommissioners.org).

## Salary and Pension Entitlements

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

## Remuneration (Audited)

Officials	2008-09		2007-2008	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
<b>Bryan Davis</b> Chief Executive	90-95	N/A	85-90	N/A
<b>Colin Sullivan (Dr)</b> Director of Operations	75-80	N/A	5-10 (75-80 full year equivalent)	N/A
<b>Stephen Boyd</b> Acting Director of Finance & Planning (From 01/4/08 to 21/9/08)	25-30 (55-60 full year equivalent)	N/A	55-60	N/A
<b>Joyce Bill</b> Director of Finance & Planning (From 11/8/08)	35-40 (55-60 full year equivalent)	N/A	N/A	N/A
<b>Colum Boyle</b> Director of Business Development	60-65	N/A	55-60	N/A
<b>John Sinnamon</b> Acting Director of Human Resources (from 1/4/08 to 8/6/08)	10-15 (55-60 full year equivalent)	N/A	55-60	N/A
<b>Dr Brian Wallace</b> Acting Director of Medical Services	65-70	N/A	0-5 (65 -70 full year equivalent)	N/A

## Salary

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

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

### Pension Entitlements (Audited)

	Accrued pension at age 60 as at 31/3/09 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/09	CETV at 31/3/08 <sup>1</sup>	Real increase in CETV	Employer contribution to partnership pension account
Officials	£'000	£'000	£'000	£'000	£'000	Nearest £100
<b>Bryan Davis</b> Chief Executive	30-35 plus 100-105 Lump sum	0-2.5 plus 0-2.5 Lump sum	777	711	8	N/A
<b>Colin Sullivan (Dr)</b> Director of Operations	0-5 (No Lump sum)	0-2.5	18	1	14	N/A
<b>Stephen Boyd</b> Acting Director of Finance & Planning (From 01/04/08 to 21/9/09)	5-10 plus 20-25 Lump sum	0-2.5 plus 0-2.5 Lump sum	110	98	2	N/A
<b>Joyce Bill</b> Director of Finance & Planning (From 11/08/08)	5-10 plus 15-20 Lump sum	0-2.5 plus 0-2.5 Lump sum	63	58	3	N/A
<b>Colum Boyle</b> Director of Business Development	10-15 plus 40-45 Lump sum	0-2.5 plus 0-2.5 Lump sum	222	199	5	N/A
<b>John Sinnamon</b> Acting Director of Human Resources (From 1/4/08 to 8/6/08)	20-25 plus 70-75 Lump sum	0-2.5 plus 0-2.5 Lump sum	502	481	9	N/A
<b>Dr Brian Wallace</b> Acting Director of Medical Services	25-30 plus 80-85 Lump sum	0-2.5 plus 5-7.5 Lump sum	536	454	36	N/A

### Northern Ireland Civil Service (NICS) Pension Arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

<sup>1</sup> The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment ) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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## Real Increase in CETV

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

## Compensation for Loss of Office

There was no compensation paid to serving or former serving managers (for loss of office) during 2008-09.



**Bryan Davis**  
Chief Executive

29 June 2009



# List of Annexes

Annex 1 – The Role of the Social Security Agency

Annex 2 – How to Contact Us

Annex 3 – Facts and Figures

Annex 4 – Benefit Changes in 2008-09



# Annex 1

## The Role of the Social Security Agency

We work within:

- the terms of our remit from the Department;
- the Government's wider social and economic policies; and
- the social security system in Great Britain (in providing services to DWP).

## Social Security Benefits

We are responsible for managing the following social security benefits:

- Attendance Allowance
- Disability Living Allowance
- Incapacity Benefit
- Employment and Support Allowance (from October 2008)
- Income Support
- Benefits under the Industrial Injuries Scheme
- Carer's Allowance
- Jobseeker's Allowance (income and contribution based)
- Lump-sum payments (Christmas bonus)
- Maternity Allowance
- State Pension Credit
- State Pension
- Over 80s Pension
- Severe Disablement Allowance
- Social Fund payments, grants and loans
- Bereavement Benefits
- Cold-weather payments

We are responsible for:

- providing information, advice and help to the public and employers;
- recovering Social Fund loans and funeral payments;
- preparing and presenting appeals to appeals tribunals;
- deciding on operational policy relating to social security fraud and for developing and putting in place a strategy to prevent and detect social security fraud and abuse and prosecuting offenders;

- preventing, raising and recovering overpayments of benefits;
- recovering social security payments from compensation awards; and
- working with social security authorities in other countries to decide who is entitled to benefits for those who are living, or have lived, abroad.

We provide information and advice to the public on the whole range of benefits and other services, through a wide variety of leaflets. Details on how to contact us are provided in Annex 2 of the document. The DSD Information Office is responsible for managing and presenting external communications and public relations.

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

We are responsible for delivering the services provided by:

- **the Belfast Benefit Delivery Centre; and**
- **the Lisahally Processing Unit.**

Services include:

- Processing Jobcentre Plus benefit work for Brent, Harrow and Hillingdon, South East London and parts of North London.
- Dealing with new claims, reviews, adjudication and appeals for Income Support, Jobseekers Allowance, Incapacity Benefit, Severe Disablement Allowance and Employment and Support Allowance.
- Making third party deductions for housing and fuel costs.
- Providing a Debt Management centre for calculating overpayments for Income Support and Jobseekers Allowance for all Districts of the London region.
- Delivering a telephone service, providing both enquiries and information services to customers and front-end Local Service Outlets (LSOs)

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## Other services

We are responsible for handling the following services:

- **Health service charges** – we assess and issue certificates of entitlement to help with prescriptions, dental treatment, wigs and fabric supports, travel to hospital for treatment, sight tests and vouchers for glasses or contact lenses.
- **Assisted prison visits** – we assess entitlement and pay allowable travelling expenses for visits to a partner or close relative in prison.
- **Housing and fuel costs** – for customers who have been supplied with housing or fuel credit, we deduct the repayments from their benefits and pay directly to the organisations concerned.
- **Legal Aid Assessment** - we confirm if a customer is receiving a social security benefit if they are applying for legal aid.
- **We provide relevant information** to employers and other organisations to help them to decide on entitlement to, and payment of, Housing Benefit, Statutory Sick Pay, Statutory Maternity Pay, Criminal Injuries Compensation, free school meals and educational clothing.
- **We provide** a National Insurance Number application and allocation service on behalf of the HM Revenue and Customs.

- **We provide information** on and pay Disability Living Allowance (higher-rate mobility component) to Motability.
- **Vehicle Excise Duty Exemption** – we issue certificates of entitlement to people who receive Disability Living Allowance (higher-rate mobility component).
- **Training Allowance** – we pay benefit based training allowances on behalf of the Department for Employment and Learning to those taking part in recognised Department for Employment and Learning schemes.
- **Data Sharing with other Government Departments** – we may give information to certain other organisations as the law permits, to check the accuracy of the information, prevent or detect crime, protect public funds and use in research statistics.

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

# Annex 2

## How to Contact Us

Phone Services	Number	Opening Hours	Description
Benefit Enquiry Line (BEL)	Freephone: 0800 220 674 Minicom: 0800 2430787	Monday – Friday 9.00am – 5.00pm	General information & advice on the full range of benefits Personal benefit calculations Phone completion of Attendance Allowance, Disability Living Allowance & Carer's Allowance claim forms
Benefits Investigation Services (NI) Fraud Phone Line	Freephone: 0800 975 6050 Textphone: 028 9054 4663	Monday – Friday 9.00am – 5.00pm	Phone number to receive allegations of social security benefit fraud from the public No details of caller required and confidentiality is guaranteed
Employment and Support Allowance	Freephone 0800 085 6318 Enquiry Line 0845 602 7301 Textphone 0800 328 3419	Monday – Friday 9.00am – 5.00pm	A quick and easy way for making new applications to Employment and Support Allowance For general Employment and Support Allowance enquiries eg enquiring about an application, or reporting a change of circumstances
National Benefit Fraud Line	Freephone: 0800 854 440 Textphone: 0800 328 0512	7am to 11pm 7 days a week	National freephone service for reporting allegations of benefit fraud
Benefit Information Service	Phone Number: 0845 605 2020 (local rates apply)	24 hours 7 days a week	The Benefit Leaflet Information Service is a 24 hour fully automated telephone service for requesting leaflets
Crisis Loans Claim Line	Freephone: 0800 028 8822	Monday – Friday 9.00am – 4.30pm	A Crisis Loan is there to help you in an emergency or as a consequence of a disaster Social Fund officer will process your claim over the telephone
Pension Service Application Line	Freephone: 0808 100 6165 Textphone: 0808 100 1165 Fax Number: 028 7127 4643	Monday – Saturday 8.00am – 8.00pm	A quick and easy way for making new applications to Pension Credit Application forms completed for the customer
Pensions Service Enquiry Line	Phone Number: 0845 601 8821 Textphone: 0845 601 8841 Fax Number: 028 7127 4643	Monday – Saturday 8.00am – 8.00pm	For general Pension Credit enquires e.g. enquiring about an application, or reporting a change of circumstances
Pensions Service Tele-Claims	Freephone: 0808 100 2658 Textphone: 0808 100 2198	Monday – Friday 9.00am – 5.00pm	A quick and easy way for making new applications to State Retirement Pension

SSA Internet Address: [www.dsdni.gov.uk](http://www.dsdni.gov.uk)

## Annex 3

### Facts and Figures

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

### Spending on Benefits 2008-09

Benefits taken from Northern Ireland Consolidated Fund	£'000
Non-contributory retirement pension	1,900
Christmas bonus (pensioners)	9,119
Attendance Allowance	192,994
Carer's Allowance	90,401
Severe Disablement Allowance	40,815
Disability Living Allowance (including £27k Miscellaneous Disease Schemes)	679,452
Industrial Injuries Benefits	27,622
Income Support for the elderly	4,519
Pension Credit <sup>1</sup>	329,035
Family Credit, Child Support Maintenance Bonus	25
Income Support – non-pensioners	450,303
Jobseeker's Allowance (income based)	74,589
Age Related payments	4
Job grant	884
Employment and Support Allowance Income Based	1,954
<b>Total: Northern Ireland Consolidated Fund</b>	<b>1,903,616</b>

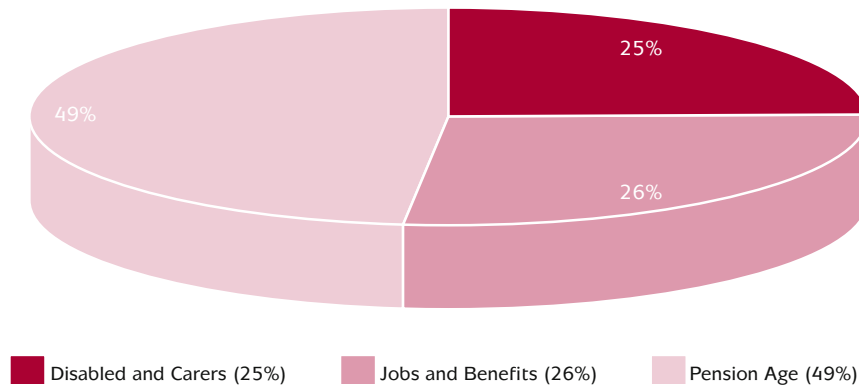
<sup>1</sup> Pension Credit replaced Income Support for the Elderly from October 2003

Benefits taken from the Northern Ireland National Insurance Fund	£'000
State Retirement Pension	1,464,468
Christmas Bonus	23,168
Widow's Benefits	24,688
Incapacity Benefit	336,590
Maternity Allowance	9,222
Jobseeker's Allowance (contribution based) <sup>2</sup>	20,370
Employment and Support Allowance Contribution Based	2,687
<b>Total: Northern Ireland National Insurance Fund</b>	<b>1,881,193</b>
Social Fund	
Budgeting loans <sup>3</sup>	44,018
Crisis loans <sup>3</sup>	12,167
Community care grants	13,715
Maternity payments	5,123
Funeral payments <sup>3</sup>	2,558
Cold-weather payments	1,838
Winter Fuel Payments	67,716
Repayment of loans and other receipts	-49,048
<b>Total: Social Fund</b>	<b>98,087</b>
<b>Total public spending on benefits for which we are responsible</b>	<b>3,882,896</b>

<sup>2</sup> Spending on Jobseeker's Allowance is taken from the Department for Social Development's Vote (Request for Resources A) and the contributory element is repaid by the National Insurance Fund.

<sup>3</sup> Figures for Crisis Loans, Budget Loans and Funeral Payments represent amounts for new loans issued in the year. These amounts are included with Debtors, Note 10 in the notes to the financial statements.

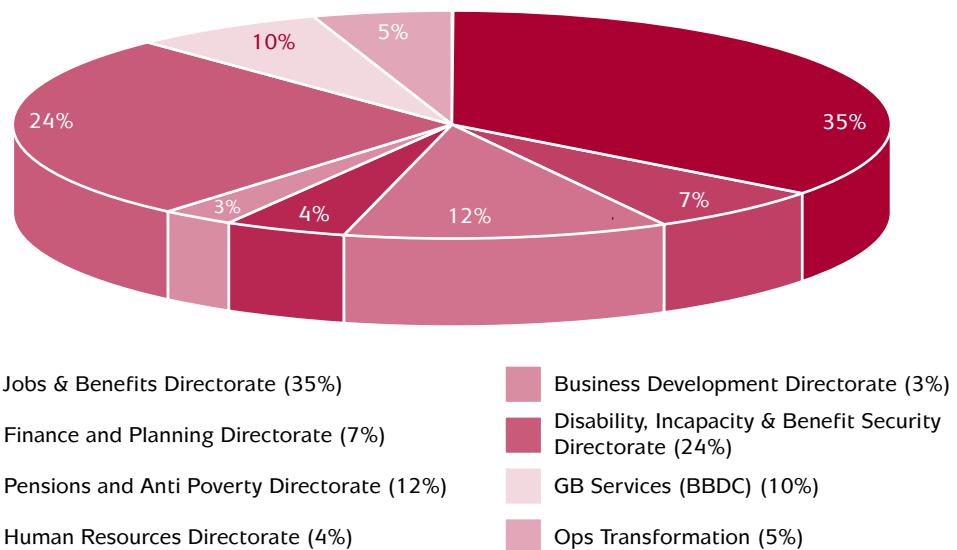
### Spending on Benefits by broad groups of beneficiaries 2008-09



Spending on benefits <sup>4</sup> = **£3,873,201k**

Disabled and Carers	25%	£962,847k
Jobs and Benefits	26%	£1,005,283k
Pension Age	49%	£1,905,071k

### Patterns of Spending by Business Area 2008-09



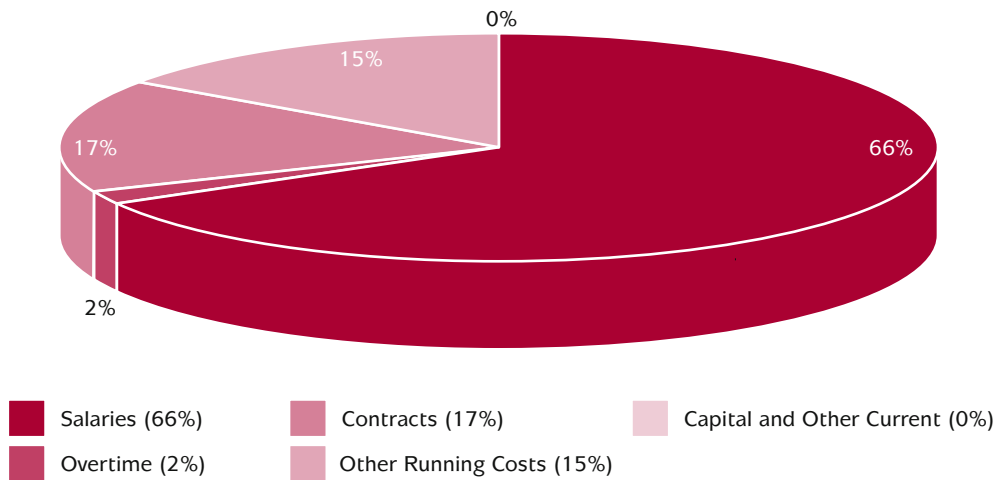
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**Notes:**

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

<sup>4</sup> The above figure for spending on benefits, £3,873,201k, does not include the amounts for Crisis Loans, Budget Loans and Funeral payments and does not include repayments of loans and other receipts

### Patterns of Spending by type 2008-09



Total spending = £180.576m (£180.473m Resource costs and £0.103m Capital Costs)

**NB. Non-Cash figures are excluded from above spends**

## Annex 4

### Benefit Changes in 2008-09

There are three broad categories of social security benefits designed to meet different types of need.

#### Contributory Benefits

These benefits are known as contributory benefits because entitlement to them depends on sufficient National Insurance contributions having been paid. The main contributory benefits are State Retirement Pension, Bereavement Benefits, Incapacity Benefit and Jobseeker's Allowance (contribution-based). The rates increase annually in line with the retail prices index (RPI). Here are some examples for 2008-09:

- The basic State Retirement Pension for a single person rose from £87.30 to £90.70 and for a couple from £139.60 to £145.05;
- Jobseeker's Allowance (contribution-based) for a single person over 25, went from £59.15 to £60.50; and
- Incapacity Benefit went from £81.35 to £84.50 for a single person on the 'long term' rate.

#### Income-related Benefits

Income-related benefits are available to people whose income falls below a certain level, depending on their particular circumstances. These benefits take account of any savings they have, as well as income. The main income-related benefits are Income Support, income-based Jobseeker's Allowance, State Pension Credit and Housing Benefit. The rates are increased annually with some examples for 2008-09 listed below:

- Income Support and Income-based Jobseeker's Allowance for a single person over 25 went up from £59.15 to £60.50; and
- Income Support and Income-based Jobseeker's Allowance for a couple with two children aged, for example, 10 and 12, went up from £204.13 to £216.88.

#### Other Benefits

All the main disability benefits increased. Here are some examples:

- Severe Disablement Allowance increased from £49.15 to £51.05 and Carer's Allowance increased from £48.65 to £50.55;
- the higher rate of Attendance Allowance and the highest rate of the care component of Disability Living Allowance increased from £64.50 to £67.00; and
- the higher rate of the mobility component of Disability Living Allowance increased from £45.00 to £46.75.

For example, the disability benefit for a family with a disabled child of 12 receiving Disability Living Allowance (highest rate care and higher rate mobility component) and Carer's Allowance rose from £158.15 to £164.30.

# Annual Accounts 2008-2009

## Part 5

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## Statement of Accounting Officer's Responsibilities

Under section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Northern Ireland Social Security Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Social Security Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Department for Social Development has appointed the Chief Executive of the Northern Ireland Social Security Agency as Accounting Officer for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Northern Ireland Social Security Agency's assets.

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

# Statement on Internal Control

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's and the Department's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money NI.

As Accounting Officer I am responsible for ensuring that the Department's Minister and Permanent Secretary are regularly informed of the ongoing management of key Agency risks through briefing reports and meetings. Formal assurance is provided by myself through the current reporting arrangements in place for the Departmental Risk Register, which contains associated risks against Ministerial targets.

The Social Security Agency (SSA) is an Executive Agency of the Department for Social Development (DSD). As Accounting Officer for the Agency I report on a regular basis through Ministerial Quarterly Reports and meetings with Minister and the Permanent Secretary on the Agency's performance against business targets and key areas of operations.

## 2. The purpose of the system of internal control

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The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, 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 Agency 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 the Agency for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel (DFP) guidance.

## 3. Capacity to handle risk

As Accounting Officer, I have responsibility for ensuring that a robust risk management process is in place to ensure that the risks faced by the Agency are identified, managed and that appropriate controls are in existence and utilised accordingly.

The Agency's risk management process is led by the Board and the following key principles underpin its approach to risk management:

- Agency Management Board, chaired by the Chief Executive, has overall responsibility and ownership for risk management within the Agency;
- each risk is assigned an owner at Director level, who is responsible for ensuring that controls are in place at all levels to manage the risk; and

- progress on the management of risks is reported to, and reviewed quarterly by the Agency Management Board through the Agency's existing monitoring and reporting mechanisms.

The Risk Management Policy has been embedded across the Agency with senior managers fully trained in risk methodology. 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 Agency has integrated risk management within all aspects of its business and through its planning, monitoring and reporting cycles. In addition staff are made aware of risk management and supported further through:

- tailoring Risk Awareness Sessions for Business Areas to meet their individual needs;
- providing a Helpdesk to support managers in the implementation of risk management in their business areas; and
- publication of the Agency's Risk Management Policy on the Agency's Intranet.

The Agency's approach to risk management is therefore inherently embedded throughout its entire planning, monitoring and reporting processes and is therefore subject to continuous review throughout the year. Through all various formal and informal management reports, e.g. AMB quarterly reviews of the Agency Risk Register the Agency's system of internal control is under continuous assessment. In addition reports received from Internal Audit, and advice received from the Departmental and Agency Audit Committees all provide a platform to consider best practice and lessons learned.

#### 4. The risk and control framework

Risk management within the Agency is an integral part of the annual business planning process. The Agency has implemented a risk management process which includes risk identification, assignment of ownership, risk prioritisation, mitigation and management, and an evaluation and review.

In addition the Agency's risk and control framework includes additional organisational elements and support arrangements that help to ensure the effectiveness of our risk management processes. These include a specific Agency Audit Committee chaired by a non executive member, a Finance Director's post as required by Managing Public Money NI (MPMNI), a Strategic and Business Planning Unit (S&BPU) that plays a key role in facilitating the Agency's strategic management and corporate governance arrangements and specialist security units such as Error Reduction Division, the Fraud Policy Unit, and the Internal Security Unit.

Due to the nature and operational delivery of the Agency's business the Agency is responsible for the processing and storage of a significant amount of personal and sensitive information which is entrusted to us by our customers to enable us to provide a service to them. When dealing with this information Data Protection legislation requirements are considered at all times.

I receive regular assurance that the information used for Agency operational and reporting purposes is handled appropriately and that risks to data or information are managed effectively.

The assurances, and the confirmation that action is taken to manage risk includes the following:

- the inclusion of a risk on the Agency Risk Register which relates to the "loss or unauthorised disclosure of sensitive information";
- the introduction of Information Transfer Guidance throughout the Agency which provides staff with procedures which must be applied as a minimum standard when information is being transferred either manually or electronically, and covers both internal transfers and those outside the Agency;
- security accreditation of computer systems, this includes the accreditation of specific NI systems used by the Agency in line with HM government standards. The Agency predominantly utilises GB owned computer systems in the delivery of social security benefits. A security concordant exists between the Department of Work and Pensions (DWP) in GB and the Agency/DSD. This ensures that the systems as used by the Agency have the same security accreditation as DWP. In addition the

security access control and checks that are applicable to the DWP IT systems are adopted by the Agency e.g. the use of sign –on swipe cards, user access limitations and regular security audits;

- in relation to the provision of Agency data to third parties the appropriate procedures for the handling of data are embodied within the Information Transfer Guidance as above. The Agency also refers to the Departmental Personal Information Policy which provides an overview of the policy principles to be considered when staff disclose personal information. Procedural guidance also states that staff must comply with the Data Protection Act 1998 and within the Agency there are Local Data Protection Officers who look after disclosure issues; and
- the Agency has in place within its Operations Directorate a Security Specialist within each Grade 7 branch command. The specific duties of the Security Specialist include monitoring existing operational procedures to ensure that controls are in place and all relevant guidance is adhered to, completing Audit Trail Analysis checks to verify access to customer information is conducted only for proper business purposes and to identify risks in processes and make recommendations to senior management.

At an overall Agency level, risk management is an integral part of the corporate and business planning and decision-making processes of the Agency Management Board. Agency Directors carry out monthly reviews and updates on key Directorate risks. Updates and assurance on information risk management are provided at each individual Grade 7 level to the appropriate Director. Any exceptions to the process are highlighted on the respective Certificates of Assurance with the remedial action to address the underlying issue also noted as part of this procedure. Any issues raised are then taken to the Agency Management Board for review and consideration at the organisational level.

The Agency Management Board has overall responsibility for ensuring a robust risk management process is established, and is responsible for agreeing the Agency's Risk Management Policy, approach and operating procedures. The Risk Management Policy and all related guidance and documentation sets out the key risks to the successful achievement of the Agency's strategic objectives, and identifies the risk owner and controls in place to manage each risk.

The Agency's *Corporate Risk Register* is an integral part of the Agency's Risk Management Policy and approach. The Risk Register records the status of each risk and actions taken to manage the risk.

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The Risk Management approach includes:

- a *risk identification* process which helps develop a clear and common understanding amongst senior managers of the risks facing the Agency's business;
- *ownership* of key risks assigned at Director level with the responsibility and authority for implementing controls and assigning resources to manage them;
- a *risk evaluation* criteria to determine the impact and confidence in controlling key risks; and
- *risk assurance* through the Agency's monitoring and reporting mechanisms, e.g. Agency Annual Review, Internal Audit annual reviews and the work of the Agency Audit Committee.

At Directorate and Unit levels, Risk Managers are assigned to implement the Agency's Risk Management Policy and procedures on internal controls, and are responsible for:

- encouraging relevant staff to actively consider and manage risk;
- communicating progress, identifying control weaknesses and recommending remedial actions for their assigned risks to Agency Management Board; and
- ensuring that a suitable system of internal control operates in their area of responsibility.

## 5. 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 executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, the work of the internal auditors, 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, and the SSA Audit Committee and a plan to address weakness and ensure continuous improvement of the system is in place.

The Board has:

- reviewed how the Agency's system of internal control has performed, taking into consideration the changes in the nature and extent of significant risks throughout the year;
- identified the significant risks that face the Agency for the year 2009-10 and agreed the management of controls; and,
- as in previous years formalised the significant risks arising for the future year together with the controls necessary to manage, report and review these risks, and communicate these risks throughout the organisation.

The integrated Agency processes, which operate to ensure risk management and internal control issues are regularly reviewed and reported at the appropriate level, provides assurance that effective internal control mechanisms are maintained and developed.

An Audit Committee supports me as Accounting Officer in my responsibilities for issues of risk, control and governance and associated assurance. The Audit Committee:

- meets four times a year, with the option to convene additional meetings as it deems necessary;
- is headed by an independent Chairperson;
- is attended by the Head of Internal Audit, and representatives from the Northern Ireland Audit Office (NIAO);
- provides assurances relating to the corporate governance requirements for the organisation, and reports regularly to the Agency Management Board; and,
- advises on the adequacy of management responses to issues as identified by audit activity, and to any separate concerns as raised by the Audit Committee itself.

The DSD Internal Audit Unit provides an independent and objective opinion to the Accounting Officer on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the objectives of the Agency. Internal Audit operates to standards set out in the Government Internal Audit Manual and provides me with:

- an annual audit plan based on the risk register;
- regular internal audit reports on individual business areas; and
- an overall annual audit assurance report.

As Accounting Officer my review of the effectiveness of the system of internal control also relied on the following evidence:

- the Agency's Corporate Governance Framework;
- a Business Plan for 2009-10 that will deliver Public Service Agreement (PSA) objectives;
- a structured approach to setting business plan objectives and planned initiatives;

- the setting of targets and the cascading of these to management and staff through the Agency's Business Plan and the Balanced Scorecard process;
- quarterly monitoring of progress against the Agency's Business Plan for 2008-09 that includes reporting, against PSA objectives;
- quarterly monitoring of progress against 2008-09 Service Delivery Targets, Performance Measures and Customer Service Standards;
- an Agency Management Board which meets monthly to consider the plans, performance and strategic direction of the Agency;
- a framework of regular management information;
- a Standards Committee, which provides me with independent advice on the quality of the Agency's decision making;
- An Agency Modernisation Board which meets bi-monthly and has overall responsibility for the Social Security Agency's Modernisation Programme. It supports the delivery of programmes and projects within the Portfolio;
- compliance with specific regulations and procedures laid down either externally or centrally, including security, health and safety, data protection, government accounting and legal requirements;
- quarterly assurance statements to me from all Directors; and
- an internal follow-up system to ensure that internal audit recommendations are implemented.

The Agency Management Board and myself as Accounting Officer also recognise the importance of the maintenance and the development of the Agency's risk management and review processes to ensure they continue to be both relevant and effective. Through the Agency's extensive use of the Risk Register and Certificate of Assurance processes, throughout all levels of the organisation, the Agency clearly has in place a highly developed corporate governance and risk management reporting and review process. In turn, the in depth use and effectiveness of these processes by the Agency is clearly evidenced by the degree of changes and amendments to the relevant documentation that support these processes. For example, the in year changes and revisions made to the 2008-09 Agency's Risk Register. The revisions made in year to the Risk Register arose from Agency management as a response to the emerging changes and challenges they experienced, for example the impact of the economic downturn throughout the year. These various revisions to the Risk Register clearly reflect that the documentation used to support the Agency's risk and corporate governance processes are clearly 'live' documents that are current and are evolving. It is also important to note that all changes to the Agency's Risk Register were subject to presentation and approval by the Agency's Audit Committee. The work of the Committee and its role within the organisation provides a level of assurance to myself and the Board that our risk management and review processes are effective and appropriate. In addition the annual review from DSD Internal Audit of the corporate governance and risk management processes considered the adequacy of the risk management process already established within the Agency. For the 2008-09 year the Agency received substantial assurance in relation to this area.

During the year the Agency also completed a Risk Management Health Check to validate the use of the existing risk management policy and guidance, and identify any areas for improvement in the risk management process. The health check included interviews with a selection of Grade 7s across all the Directorates, input from DSD Internal Audit, and benchmarking with other NICS departments and public sector bodies. The findings from the health check were used to update the Agency's existing risk policy and guidance. In addition following the health check exercise a new Social Security Agency Risk Management Framework was drafted and circulated for internal and external quality review. The feedback from this review is currently being assessed and it is planned that the new Risk Framework will be presented to AMB by the end of August 2009. It is the intention that following AMB approval the new framework document will replace the existing risk policy and guidance and central to this new guidance will be the introduction of a formal annual review of the framework.

## 6. Significant internal control problems

The Comptroller and Auditor General's (C&AG) audit report on the 2007-08 Agency Annual Report and Accounts included the previous regularity qualification opinion due to the level of estimated losses arising from fraud and error in the administration of certain social security benefits. However for the financial year the qualification excluded the expenditure on State Pension (SP) £1.38b (38% of total benefit expenditure) from the qualification as a result of the consistently low levels of fraud and error detected within SP and the high levels of expenditure incurred.

This was a considerable achievement for the Agency and we believe recognises the consistent and highly focused work that the Agency has undertaken to address the overall levels of fraud and error.

For the 2008-09 year the Agency continued to place high priority on the commitment to reduce fraud and error, which continues to be one of its five key objectives.

During the year January – December 2008 the Agency continued its regular monitoring and measurement on the levels of fraud and error. This involves the measurement of the level of financial accuracy in the administration of each benefit and, complementary to this, benefit reviews which estimate the level of customer fraud and customer error are undertaken.

For 2008-09 the Agency's financial accuracy targets were set at 99% for Income Support, Jobseeker's Allowance, State Pension and Incapacity Benefit and 98% for Disability Living Allowance and State Pension Credit. The financial accuracy results for the calendar year January – December 2008 show that four out of the six main benefits exceeded their target: Jobseeker's Allowance, Incapacity Benefit, Disability Living Allowance and State Pension. Income Support achieved its target within statistical tolerance (98.4% +/-0.7%). Although State Pension Credit missed its target with a result of 95.3% against a target of 98%, its performance was the most improved, having increased by a full percentage point on financial accuracy performance from last year (2007:94.3%).

In terms of total social security benefit losses through fraud and error, the latest estimate, incorporating the 2008 Benefit Review results indicate that total estimated losses through overpayments continue to decrease, from £47.5m, 1.3% of benefit expenditure in 2007 to £44.5m, to 1.2% of benefit expenditure. Over the last 5 years the total estimated losses through overpayments have reduced by 37% from £70.7 million in 2003-04 (2.22% of benefit expenditure) to £44.5 million in 2008 (1.2% of benefit expenditure). The Agency gives equal attention and priority to identifying and correcting both underpayments and overpayments. Identifying those cases not receiving their full entitlement, and correcting the benefit payment is an integral part of the Agency's Programme Protection regime. The Agency can report a decrease in the amount of estimated underpayments for the 2008 year from £26.1m in 2007 (0.7% of benefit expenditure) to £19.7m (0.5% of total benefit expenditure).

The Agency has a comprehensive and robust benefit security strategy in place to challenge the many elements of both benefit fraud and error. This involves a range of activities, and includes a wide-ranging programme of pro-active targeting and correcting of cases with a high likelihood of error. In 2008-09 this led to over 17,200 corrections and adjustments to benefit awards of approximately £19.8m (8,411 cases) in relation to overpayments, and £21.8m (8,789 cases) in relation to underpayments. Prevention of fresh error continues to be addressed through the introduction of Accuracy Improvement Plans. The Agency also continues to target and investigate those who deliberately make false claims to obtain benefit, which resulted in 512 convictions for benefit fraud during 2008. In addition this year the Agency contributed towards the work started as part of the National Fraud Initiative which involved working with other areas within the Department in the examination of data and benefit information.

In order to ensure ongoing improvement in its own approach and initiatives to address benefit fraud and error the Agency takes forward recommendations made by independent reviews and reports. In the previous financial year the NI Audit Office (NIAO) published a Value for Money (VFM) report on social security fraud and error (NIA 73/07-08) and this was followed up by a report from the NI Public

Accounts Committee (PAC), (Report: 26/07/08R PAC). In the respective PAC report the Committee recognised the inherent complexity of the benefit system and the good work of Agency staff in delivering its services, often under difficult and pressurised circumstances. While the Committee recognised the efforts made, members also highlighted that there is more to do, and made a number of recommendations for improvement including improving staff skills and increased accountability. The Agency has been working on the implementation of the PAC recommendations and to date 16 of the 22 recommendations have been fully cleared with another 6 partially cleared.

## Account NI

DFP Internal Audit has provided an overall satisfactory level of assurance with regards to Account NI. However, an unacceptable level of assurance was given for Procure to Pay Data Retention, and a limited level of assurance was provided on i-Procurement and Accounts Payable. Account NI has responded favourably to all recommendations made by Internal Audit and, where possible, has implemented these. Residual recommendations will be addressed in the 2009-10 financial year and Internal Audit will follow-up on all audit recommendations made.

## HR Connect

DFP Internal Audit conducted a review of the HR Connect payroll service prior to go-live focusing on the documented operating procedures for shared service centre and NICS staff and provided a satisfactory level of assurance in these areas. However, Internal Audit has not undertaken any direct work since the HR Connect Service went live in November 2008.

The internal audit of the HR Connect service in 2008-09 was undertaken by the main contractor, in accordance with contractual provisions. A set of internal reports have been received from the main contractor, including a review of actual controls against expected controls in respect of the non-industrial payroll system. These have been reviewed by Corporate HR and DFP Internal Audit who are satisfied that although some weaknesses have been identified these are being addressed by Capita and Fujitsu. Corporate HR has also welcomed the establishment of a monthly forum at which Capita and Fujitsu will discuss progress on issues raised in these reports and will monitor progress on the implementation of recommendations. DFP Internal Audit will be conducting direct audit work in HR Connect during 2009-10.

As Accounting Officer I also rely on the independent advice and constructive challenge where appropriate, of various bodies such as the Agency Audit Committee, the Joint Standards Committee and DSD Internal Audit. DSD Internal Audit provides me with an independent and objective opinion on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the organisation's agreed objectives. The Agency's 2008-09 Annual Audit Report has been finalised and this details the audit assurance ratings and reviews for three primary control areas within the Agency i.e. corporate governance and risk management, resource (previously administration) expenditure and programme (or benefit) expenditure. The audit assessments from these areas are then considered in assessing an overall level of audit assurance for the Agency throughout the year.

From this formal report I can advise the DSD Internal Audit review completed on the adequacy and effectiveness of the Agency's risk management and corporate governance arrangements has achieved a substantial assurance rating. Similarly, as in previous years, a satisfactory assurance rating has been awarded to the resource expenditure within the Agency and confirms that there is an adequate and effective level of control in place.

In relation to programme expenditure this has always been a problematic area for the Agency partly due to the fact that certain significant issues in relation to the processing and payment of benefit expenditure are outside the Agency's direct ability to control. This includes not only the considerable

complexity of the actual administration of social security benefits and the very detailed regulations and guidance that must be adhered to, but also underlying issues within the benefit IT systems, or OPSTRAT systems which actually process the benefits.

There have been significant improvements in this complex area by the Agency over the last few years and the Agency's ongoing success in addressing programme expenditure audit issues resulted in DSD Internal Audit awarding a satisfactory audit assurance rating for 2007-08. This satisfactory assurance rating has again been awarded for the 2008-09 financial year.

In addition the overall assurance rating awarded to the Agency for the financial year 2008-09 is satisfactory assurance; in 2007-08 the Agency also achieved a satisfactory rating.



**Bryan Davis**

Chief Executive

Date: 29 June 2009

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

I certify that I have audited the financial statements of the Northern Ireland Social Security Agency for the year ended 31 March 2009 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Agency, the Chief Executive and auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and 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. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I report to you whether, in my opinion, the information, which comprises the Director's Report and the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report, the Sustainability Report and the Chief Executive's Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Agency's affairs as at 31 March 2009, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- information, which comprises the Director's Report and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

## Qualified opinion on regularity

The Operating Cost Statement records benefit expenditure of £3.88 billion. Within this expenditure some £1.44 billion (38 percent) relates to expenditure on State Pension. Note 26 to the accounts discloses that benefit awards have been calculated erroneously and benefits payments have arisen as a result of fraudulent claims. However the Agency has estimated that the level of fraud and error within State Pension is relatively minor with overpayments of £2.2 million (0.15 per cent of related expenditure) and underpayments of £2.3 million (0.16 per cent of related expenditure). For other benefits the levels of fraud and error resulted in overpayments of £42.3 million (1.8 per cent of relevant expenditure) and underpayments of £17.4 million (0.7 per cent of relevant expenditure). Benefit overpayments made by the Agency, whether due to fraud or error, cannot be deemed regular as the expenditure has not been applied in accordance with the purposes intended by the Assembly and fraudulent transactions cannot, by definition be regular since they are also without proper authority. In addition the Agency is required to calculate benefits in accordance with primary legislation which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid.

I have therefore qualified my opinion on the regularity of benefit expenditure other than State Pension because of the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Assembly and because of the level of under and overpayments in such benefit expenditure which are not in conformity with the relevant authorities.

In my opinion, except for the level of fraud and error in certain non-contributory and contributory social security benefits and social fund benefits as referred to above, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

### **Emphasis of matter: significant uncertainty on any liability over equal pay issues**

Without qualifying my opinion, I draw attention to note 19 to the financial statements. This refers to the obligation of the Northern Ireland Civil Service to comply with equal pay legislation and address any anomalies that may exist in its present pay and grading structures. Equal pay claims have been lodged with the Industrial Tribunal by the Northern Ireland Public Service Alliance (NIPSA) on behalf of its relevant members. The present Minister of Finance and Personnel has assured NIPSA of the commitment to resolve the equal pay issue, if possible, through a negotiated settlement and without the need for litigation. The Department of Finance and Personnel considers that a reliable estimate of the potential liability cannot be made at this point in time due to the complexities associated with the resolution of the issue. These complexities include establishing clearly the extent to which the claims may be valid, the groups of staff that might be entitled to a payment and the size of these payments. Consequently a provision has not been made in the financial statements for any liability that may result.

### **Report**

Details of this matter can be found in my report on the financial statements.



**J M DOWDALL CB**  
**Comptroller and Auditor General**  
**Northern Ireland Audit Office**  
**106 University Street**  
**Belfast. BT7 1EU**  
**30 June 2009**

## Operating Cost Statement for the year ended 31 March 2009

	Note	Year ended 31 March 2009		Restated Year ended 31 March 2008	
		£000	£000	£000	£000
<b>Resource costs</b>					
Staff costs	3.1	121,594		115,811	
Depreciation	4.1	192		983	
Other operating costs	4.2	82,761		72,963	
<b>Gross Resource costs</b>			<b>204,547</b>		189,757
Operating income	2.1		(49,157)		(45,736)
<b>Net Resource costs</b>			<b>155,390</b>		144,021
<b>Programme costs</b>					
Benefits funded by Consolidated Fund					
Expenditure	6	1,907,076		1,825,703	
less: income	2.2	(3,460)		(3,693)	
			<b>1,903,616</b>		1,822,010
Benefits funded by National Insurance Fund					
Expenditure	7	1,881,193		1,750,433	
less: income	2.2	-		-	
			<b>1,881,193</b>		1,750,433
Benefits funded by Social Fund					
Expenditure	8	87,307		72,656	
less: income		-		-	
			<b>87,307</b>		72,656
<b>Net programme costs</b>			<b>3,872,116</b>		3,645,099
<b>Cost of operations before cost of capital</b>			<b>4,027,506</b>		3,789,120
Cost of capital			2,618		3,355
<b>Net cost of operations</b>	15.1		<b>4,030,124</b>		3,792,475

The net cost of operations arises wholly from continuing operations. There have been no material acquisitions or disposals during the year.

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## Statement of Recognised Gains and Losses for the year ended 31 March 2009

	Note	Year ended 31 March 2009		Restated Year ended 31 March 2008	
		£000	£000	£000	£000
Unrealised surplus on revaluation of fixed assets	14.2		2,628		2

The notes on pages 77 to 125 form part of these accounts.

# Balance Sheet as at 31 March 2009

	Note	Year ended 31 March 2009		Restated Year ended 31 March 2008	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9		17,108		17,412
<b>Debtors falling due after more than one year</b>	<b>10.2</b>		<b>64,007</b>		82,242
<b>Current assets</b>					
Debtors	10.1	75,494		84,783	
Cash with paying agents	11	4,064		2,544	
Creditors - amounts falling due within one year	12	(81,282)		(74,488)	
<b>Net current assets</b>			<b>(1,724)</b>		12,839
<b>Total assets less current liabilities</b>			<b>79,391</b>		112,493
<b>Provisions for liabilities and charges</b>	<b>13</b>		<b>(2,244)</b>		(2,911)
<b>Prior Period Adjustment</b>					(38,597)
			<b>77,147</b>		<b>70,985</b>
<b>Taxpayers' equity:</b>					
General fund	14.1		64,769		97,274
Revaluation reserve	14.2		12,378		12,308
Prior Period Adjustment			-		(38,597)
			<b>77,147</b>		<b>70,985</b>



**Bryan Davis**  
**Chief Executive**  
**29 June 2009**

The notes on pages 77 to 125 form part of these accounts.

## Cash Flow Statement for the year ended 31 March 2009

	Note	Year Ended 31 March 2009	Restated Year ended 31 March 2008
		£000	£000
Net cash outflow from operating activities	15.1	(4,009,103)	(3,757,526)
Capital expenditure and financial investment	9	(573)	(265)
Financing	15.4	4,009,676	3,757,791
Increase/(decrease) in cash in the period		-	-

The notes on pages 77 to 125 form part of these accounts.

# Notes to the Accounts

## for the year ended 31 March 2009

### 1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2008-09 Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM 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 FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements.

The Agency has adopted the Financial Instrument standards for the first time in its 2008-09 accounts.

Financial Instruments are governed by the following Financial Reporting Standards (FRS):

- FRS 25 Financial Instruments: Disclosure and Presentation
- FRS 26 Financial Instruments: Recognition and Measurement
- FRS 29 Financial Instruments: Disclosure

The Agency will follow HM Treasury guidance (MS FD (09) 01) for the first time adoption of these standards. Accordingly the initial recognition for the FRS standards will be on the relevant account balances as at 1 April 2008 and any appropriate adjustments will be treated as a prior period adjustment (PPA). The adoption of this methodology allows for consistent comparison to be made between the 2008-09 Agency accounts and the comparative year 2007-08.

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Financial Instruments are recognised on the Agency's balance sheet when the Agency becomes party to the contractual provisions of the instrument.

The accounting policies adopted by the Agency are described below.

#### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention as modified to account for the revaluation of fixed assets at their value to the Agency by reference to their current costs.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (NI) Order 1986 and 1990, accounting standards issued or adopted by the Accounting Standards Board, UK GAAP and accounting and disclosure requirements issued by the DFP as far as those requirements are appropriate.

#### 1.2 Financial Instruments

The following are the key accounting policies used from 1 April 2008 onwards to reflect the adoption of Financial Instruments under the new Financial Reporting Standards (FRS 25, FRS 26 and FRS 29).

Financial Instruments are initially recognised at fair value unless otherwise stated. Fair value is the amount at which such an instrument could be exchanged in an arm's length transaction between informed and willing parties.

The Agency have implemented the Financial Instrument standards as a prior period adjustment (PPA) as recommended by HM Treasury (MS FD (09) 01). Changes in fair value of Financial Instruments on initial recognition are recognised in the Balance Sheet.

Financial Instruments are subsequently carried at amortised cost using the effective interest method, with changes in value between the 1 April 2008 - 31 March 2009 recognised in the Operating Cost Statement in the line which most appropriately reflects the nature of the item or transaction.

**The Agency categorizes the following account balances to be Financial Instruments:**

**(i) Cash and cash equivalents**

- Programme and Resource Financing
- Cash with Paying Agents
- Encashment Control

Cash at bank and in hand comprises cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Cash and cash equivalents comprise of funding voted by the Assembly to meet the Agency's resource requirements (Programme and Resource Financing), Encashment Control, and Cash with Paying Agents. Cash with Paying Agents are monies deposited with Alliance and Leicester to facilitate benefit payments to customers and so result from funding arrangements.

**(ii) Loans and Receivables**

- Benefit Overpayment Debt
- Social Fund Loans

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market and which are not classified as available for sale. Debt is assessed at the end of each accounting period and reduced, where appropriate to its estimated recoverable amount through making an impairment based on forecast cash and benefit deduction recoveries. In addition, the Agency applies a discount factor to estimate the present value of the cash flows.

**(iii) Other Liabilities**

- Programme and Resource Creditors and Accruals

Contractual Programme and Resource creditors and accruals are non-derivative Financial Instruments. These amounts are due within one year and have no impairment indicators.

The Agency assesses at each balance sheet date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date and whether such events have had an impact on the estimated future cash flows of the Financial Instrument and can be reliably estimated. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future cash flows for a group of Financial

Instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group.

Interest determined, impairment losses and translation differences on monetary items are recognised in the Operating Cost Statement.

## Risk Management

The principal financial risks to which the Agency is exposed follow below.

### Liquidity Price Risk

The Agency's resource requirements are financed by resources voted by the Assembly, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

### Credit Risk

The Agency manages its exposure to credit risk via credit risk management policies. Credit policies cover exposures generated from Benefit Overpayment Debt and Social Fund Loans. The Agency has an active debt recovery process in place, details of this process are in Note 1.3.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the balance sheet. For Benefit Overpayment Debt and Social Fund Loans the exposure to credit risk is the amount of debt or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Agency is exposed to credit risk is the balance of the net Benefit Overpayment Debt and Social Fund Loans net debtors disclosed in note 10 of the accounts.

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

The economic downturn may also increase the amount of credit risk the Agency is exposed to for future reporting periods. This may potentially impact on the recoverability of Benefit Overpayment Debt and Social Fund Loans from customers.

### Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Agency has discounted the forecast future cash flows for estimated recoveries and write offs for Benefit Overpayment Debt and Social Fund Loans. The discount rate applied is the Treasury's real rate for the cost of capital 3.5%. The Treasury's discount rate is substantially independent of changes in market interest rates.

### Sensitivity Analysis

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

### 1.3 Benefit Overpayment Debt

Benefit debt arises when an overpayment occurs. Gross benefit debt recognised in the balance sheet is valued at the difference between the amount paid to the customer by the Agency and the actual benefit entitlement. The value is communicated to the customer by an overpayment decision letter. The Agency regards this letter as sufficient and appropriate evidence to support the initial or original valuation and the existence of debt. Customers have the right of appeal against an overpayment decision.

Overpayments are referred to Debt Management for collection using debt recovery procedures appropriate to the debt.

Debt is assessed at the end of each accounting period and reduced to its estimated recoverable amount through making an impairment based on forecast cash and benefit reduction recoveries. In addition, the Agency includes impairment in respect of an element of benefit debt that could be subject to challenge and consequently written off.

Certain categories of identified overpayment are not recognised as debt, including:

- (i) Those due to official error where there is not statutory right of recovery, the debtor declines to repay voluntarily and it is not appropriate or cost effective to take civil proceedings;
- (ii) Cases satisfying Agency waivers policies; and/or
- (iii) The customer is deceased and there is insufficient estate to recover debt

Debt write-off policy has been agreed with the DFP. To ensure it is applied consistently detailed guidance is given in the Overpayment Recovery Guide and Managing Public Money Northern Ireland.

Agency Waivers are referred to the Debt Centre (DCNI). Other write-off categories are also decided with DCNI and are subject to management review and agreement. The Agency also undertakes additional management reviews on the quality and consistency of write-off decisions through periodic business management and risk assurance checks. Any performance issues resulting from this assurance process are formally addressed through revised guidance and training.

### 1.4 Estimation Techniques

Fair Value Adjustment:

- (i) The fair value adjustment of a Financial Instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties. Where the classification of a Financial Instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to present value.
- (ii) The fair value adjustment for payments made to the Compensation Recovery Unit (CRU) is based on likely future write-offs and is calculated on a case by case basis.

### 1.5 Tangible Fixed Assets

All tangible fixed assets costing more than the prescribed capitalisation level for each asset category are treated as capital assets.

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

the capitalisation threshold is £1,000. Computer equipment is disclosed within the information technology fixed assets category.

Tangible fixed assets are included in the balance sheet at their net current replacement cost.

Land and buildings have been restated at current cost using professional valuations by the Land and Property Services (LPS) every five years and appropriate indices in intervening years. The valuations are carried out by members of the Royal Institute of Chartered Surveyors (RICS) in accordance with procedures laid out in the RICS Appraisal and Valuation Manual. In accordance with FRS 15 a valuation was completed within the 2008-09 financial year by LPS.

Fixed assets, other than land and buildings, are revalued by reference to appropriate HM Treasury approved indices.

## 1.6 Depreciation

Depreciation is provided on tangible fixed assets, using the straight line method, at rates calculated to write-off, in equal instalments, the current replacement cost (less estimated residual value) of each asset over its expected useful life, or lease period if this is shorter. Fixed assets are depreciated from the month of acquisition and no depreciation is charged in the month of disposal.

The estimated useful economic lives used to calculate depreciation are:

Buildings and property improvements	5 to 60 years
Information technology	3 to 10 years
Furniture and fittings	3 to 10 years

No depreciation is provided on freehold land.

## 1.7 Land and Buildings and Property Improvements

Land and buildings included in the balance sheet include the Belfast Benefit Delivery Centre located at 31 Chichester Street, Belfast, and the Lisahally Processing Unit located at 28 Temple Road, Lisahally.

All of the work carried out by the Belfast Benefit Delivery Centre relates to processing services provided to the Department for Work and Pensions (DWP) in Great Britain (GB).

Most of the remaining buildings occupied by the Agency form part of the Government Estate. An assessment of the rent which would be payable on an open market basis is charged to the Agency's operating cost statement within notional costs (Note 4.4).

In some cases, the Agency has carried out improvement work to these properties. Where the amount exceeds the capitalisation threshold the expenditure is treated as capital.

## 1.8 Operating Income

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

## 1.9 Resource and Programme Expenditure

The Operating Cost Statement is analysed between resource and programme costs. The classification of expenditure and income as resource or programme follows the definitions set out in FReM.

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

Programme expenditure comprises of statutory payments including non-contributory benefit expenditure which is within the supply process, contributory expenditure which is funded from the National Insurance Fund (NIF) and expenditure which is borne by the Social Fund. This is Annually Managed Expenditure (AME). Separate White Paper accounts are produced for both NIF and Social Fund benefit expenditure.

### **1.10 National Insurance Fund (NIF)**

Contributory benefits funded from the NIF and the costs to the Agency of administering the NIF are included in the Operating Cost Statement under programme and resource costs respectively. The NIF provides financing to the Agency to cover the contributory benefit expenditure and the balance at the year end is included within debtors (Note 10). As above per note 1.8 NIF financing for resource costs incurred by the Agency is included within Operating Income within the Operating Cost Statement. The financing from the NIF shown in the Cash Flow Statement is the net financing due to the Agency for the contributory benefits funded by NIF.

### **1.11 Stocks**

Stocks consist solely of consumable items and are therefore expensed in the year of purchase to the Operating Cost Statement.

### **1.12 Cash and Bank Balances**

Due to funding requirements it is Departmental policy to hold and manage centrally all operational bank accounts including those used by the Agency. For openness and transparency the Agency shows its attributable proportion of the Departmental bank account balance for both resource and programme expenditure. Accordingly the attributable proportion of the centrally held bank balances for the Agency are disclosed under debtors/creditors in the accounts.

The total of the centrally held bank balances are disclosed in the Departmental Resource Accounts.

### **1.13 VAT**

All items in these accounts are exclusive of VAT, which is recoverable on a Departmental basis.

### **1.14 Cost of Capital**

A charge reflecting the cost of capital utilised by the Agency is included within operating costs. The charge is calculated at the Government's current standard rate of 3.5% in real terms of capital employed, (2007-08: 3.5%).

Capital employed is defined as the average of the opening and closing total of assets less all liabilities.

### **1.15 Leasing**

Rentals payable under operating leases are charged to the Operating Cost Statement on a straight line basis over the lease term.

### 1.16 Pension Costs

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

### 1.17 Early Departure Costs

The Agency must meet the additional costs of benefits beyond the normal PCSPS(NI) benefits for employees who retire early from the date of their retirement until they reach normal pensionable age.

The Agency provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes. The total costs are recognised in the year in which the announcement is made and the obligation is binding on the Agency. The estimated payments are discounted at the Treasury discount rate of 1.8% in real terms.

### 1.18 Private Finance Initiative (PFI) Transactions

PFI transactions have been accounted for in accordance with Technical Note 1 (Revised), "How to account for PFI transactions", as required by FReM. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, PFI payments are recorded as an operating cost (Note 4.3).

### 1.19 Contingent Liabilities

Contingent liabilities are disclosed in line with FRS 12 (Note 19).

### 1.20 Provisions

The Agency 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.

### 1.21 Funding from the 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 Agency's General Fund.

## 2.1 Operating Income

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

	2008-09 £000	Restated 2007-08 £000
Administration of the National Insurance Fund	<b>30,271</b>	28,100
Services to the Department for Work and Pensions	<b>18,138</b>	16,916
Mortgage Interest Direct Scheme	<b>80</b>	87
Other resource income	<b>668</b>	633
	<b>49,157</b>	45,736

## 2.2 Programme Income

An analysis of programme income for the Consolidated Fund, £3.460m (2007-08: £3.693m), is shown in Note 6.

	Note	2008-09 £000	Restated 2007-08 £000
Consolidated Fund	<b>6</b>	<b>3,460</b>	3,693
		<b>3,460</b>	3,693

### 3 Staff costs and numbers

#### 3.1 Analysis of staff costs

	2008-09 £000	Restated 2007-08 £000
Salaries and wages	98,559	94,436
Social security costs	6,111	5,874
Superannuation	15,406	14,668
Early departure costs	452	384
Sub-total	120,528	115,362
Inward Secondments/Recruitment Agency staff costs	1,066	449
Total	121,594	115,811
Less Recoveries in respect of outward secondments	(82)	(269)
Total Net Costs	121,512	115,542

#### Superannuation scheme

Employees of the Agency are Northern Ireland Civil Servants to whom the conditions of the Superannuation (NI) Order 1972 and subsequent amendments apply. The Agency staff are members of the Principal Civil Service Pension Scheme (PCSPS) (NI), which is essentially non-contributory.

The PCSPS(NI) is an unfunded multi-employer defined benefit scheme which produces its own resource accounts, but the Agency is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2008-09, employer contributions of £15.406m were payable to the PCSPS(NI) (2007-08: £14.668m) at one of four rates in the range 16.5% to 23.5% of pensionable pay (2007-08: 16.5% to 23.5%), based on 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 or a stakeholder pension with an employer contribution. Employer contributions of £17,493.90 (2007-08: £14,447) 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 £1,634 (2007-08: £1,173), 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 31 March 2009 were £nil (31 March 2007: £17,160).

For 2008-09 23 individuals (2007-08: 34) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £30,755. (2007-08: £43,525).

### 3.2 Number of employees

The average number of employees employed by the Agency during the year (including senior management) was:

	2008-09 Number of staff	Restated 2007-08 Number of staff
Permanent	5,496	5,209
Others	187	157
	<u>5,683</u>	<u>5,366</u>

### 3.3 Early departure costs

There were no early retirements from the Agency during 2008-09 (2007-08: two). The total pension cost of this decision, which will be funded in full by the Agency is £nil (2007-08: £63,011). The amount owed to the DFP in respect of early retirement costs prior to 31 March 2009 is £80,600 (2007-08: £116,262) and is included within creditors. In accordance with FReM the entire amount payable from 1 April 2008 to the date of retirement has been discounted using the Treasury rate of 1.8% and included within provisions for liabilities and charges (Note 13).

## 4.1 Depreciation

	Note	2008-09 £000	Restated 2007-08 £000
Depreciation charge for the year	9	684	983
Depreciation revaluation adjustment		(492)	-
		<u>192</u>	<u>983</u>

## 4.2 Other operating costs

	Note	2008-09 £000	Restated 2007-08 £000
Service charges		3,266	4,454
Travel and subsistence		1,853	1,790
Staff training		696	451
Contracted services		33,734	23,795
Accommodation and related services		4,318	3,267
Rent and service charges		52	84
PFI charges	4.3	1,787	2,827
Postage		2,012	1,894
Printing and stationery		1,579	1,539
Telecommunication		1,223	916
Information technology costs		3,234	3,397
Medical adjudication		4,766	3,960
Management consulting		96	235
Miscellaneous expenditure		115	1,143
Permanent diminution		44	37
Loss on disposal of fixed assets		228	34
Provision Provided for in Year		(164)	487
Notional costs	4.4	<u>23,922</u>	<u>22,653</u>
		<u>82,761</u>	<u>72,963</u>

### 4.3 Operating leases and PFI charges

The amount of rentals paid under operating leases which are included within operating costs are as follows:

	2008-09 £000	Restated 2007-08 £000
Land and buildings	-	-
Other operating leases	217	211
PFI Charges	<b>1,787</b>	<b>2,827</b>

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 with the PFI agreement ending in December 2010.

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 £26.5m. In 2007-08 the Agency undertook an exercise to consolidate its existing PFI agreement to deliver greater flexibility, improve quality and value for money and to strategically align its Disability and Carers service (DACS) with DWP. Accordingly in July 2008 the DACS PFI contract was migrated to Standard Services Business Allocation (SSBA) and Integrated Communications Network Services (ICONS). The original period of the contract and the contract end date remain unaffected.

All rentals in relation to the DACS PFI/SSBA migrated contract have been charged to the Operating Cost Statement and the total charges for the 2008-09 financial year are £1.787m. The amount of the contract pre-paid at 31 March 2009 is £2.5m (2007-08: £3.6m).

(For additional information see Note 18).

### 4.4 Notional costs

Certain services are received by the Agency without the transfer of cash. The notional amounts included in the net cost of operations in order to reflect these non-cash costs are as follows:

	Note	2008-09 £000	Restated 2007-08 £000
Insurance	(a)	-	-
Rent		18,615	18,140
Audit fee	(b)	110	106
Other indirect charges & services	(c)	5,197	4,407
		<b>23,922</b>	<b>22,653</b>

#### Notes:

- (a) The Agency takes out commercial insurance to cover third party risks associated with vehicles, owned or leased on the Agency's behalf and for buildings leased on its behalf where insurance is a requirement of the lease. No other external insurance is effected against fire, explosion, common law, third party and similar risks. A notional charge, based on standard rates, as advised by DFP, has been calculated to reflect the cost of insurable risks. Notional insurance costs have been calculated to be £0.192m (2007-08: £0.185m). If included in the operating costs the deficit for the year would have been £4,030.217m (2007-08: £3,792.660m).
- (b) The audit fee represents the cost for the audit of the financial statements carried out by the Northern Ireland Audit Office. There was no remuneration paid for non-audit work during the year.

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

	2008-09 £000	Restated 2007-08 £000
<b>Services provided and costs incurred by:</b>		
DSD headquarters on behalf of the		
Social Security Agency	1,684	1,699
Other departments	3,513	2,708
<b>Total indirect charges and services</b>	<b>5,197</b>	<b>4,407</b>

Services from other departments include telecommunications, personnel and salary payment processing, training, finance and statistical services, financial processing and reporting services, and IT services provided to the Agency by the Department of Finance and Personnel, and information technology and accommodation services provided to the Agency by the Department of Health, Social Services and Public Safety.

## 5.1 Analysis of Programme expenditure

Benefits funded by Consolidated Fund	Note	2008-09 £000	Restated 2007-08 £000
Benefits paid		<b>1,895,236</b>	1,817,841
Fair value adjustments	<b>5.1a</b>	<b>2,529</b>	2,384
Programme debt written off	<b>5.2</b>	<b>9,364</b>	5,595
Movement on CRU provision		<b>(53)</b>	(117)
Programme expenditure	<b>6</b>	<b>1,907,076</b>	1,825,703

Benefits funded by National Insurance Fund	Note	2008-09 £000	Restated 2007-08 £000
Benefits paid		<b>1,876,962</b>	1,748,918
Fair value adjustments	<b>5.1a</b>	<b>1,155</b>	353
Programme debt written off	<b>5.2</b>	<b>3,148</b>	1,178
Movement on CRU provision		<b>(72)</b>	(16)
Programme expenditure	<b>7</b>	<b>1,881,193</b>	1,750,433

Benefits funded by Social Fund	Note	2008-09 £000	Restated 2007-08 £000
Benefits paid		<b>88,391</b>	70,086
Fair value adjustments	<b>5.1a</b>	<b>(2,680)</b>	328
Programme debt written off	<b>5.2</b>	<b>1,595</b>	2,242
Movement on CRU provision		-	-
Programme expenditure	<b>8</b>	<b>87,307</b>	72,656

**5.1a** The fair value adjustments are in relation to benefit overpayment debt and Social Fund Loan balances and are required as per the implementation of FRS 25, 26, and 29 during the 2008-09 financial year. For further information see Accounting Policy Note 1.

## 5.2 Bad debts written off

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

	Note	2008-09 £'000	Restated 2007-08 £'000
<b>Non-contributory benefits</b>			
Disability benefits		2,384	2,485
Income support		4,962	2,229
Pension benefits		1,644	639
Other	5a	374	242
		<u>9,364</u>	<u>5,595</u>
<b>Contributory benefits</b>			
Pension benefits		1,401	664
Incapacity benefits		1,685	469
Other	5b	62	45
		<u>3,148</u>	<u>1,178</u>
<b>Total</b>		<u>12,512</u>	<u>6,773</u>

The bad debts written off consist of the write-off of the following Social Fund loans:

Social Fund Loans		2008-09 £000	Restated 2007-08 £000
Funeral grants		1,414	2,103
Other	5c	181	139
<b>Total</b>		<u>1,595</u>	<u>2,242</u>

**5a** Other non-contributory benefits include, Industrial Injuries, Industrial Death Benefit and Jobseeker's Allowance (JSA) (Non-contributory).

**5b** Other contributory benefits include Unemployment Benefit, Sickness Benefit, Bereavement Allowance and JSA (Contributory).

**5c** Other Social Fund includes Budgeting Loans and Crisis Loans.

## 6. Benefit expenditure paid from the Consolidated Fund

	2008-09			Restated 2007-08		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
<b>Non-contributory and means-tested benefits</b>						
- Pension benefits	11,023	-	11,023	2,863	-	2,863
- Disability benefits	1,003,662	-	1,003,662	964,915	-	964,915
- Industrial injuries benefits	27,622	-	27,622	26,707	-	26,707
- Income support for the elderly	4,519	-	4,519	4,579	(1)	4,578
- Pension credit	329,035	-	329,035	314,710	-	314,710
- Family benefits	25	-	25	44	-	44
<b>Income support - non-Pensioners and Jobseeker's allowance</b>						
- Income support - non-pensioners	453,720	(3,417)	450,303	453,164	(3,627)	449,537
- Jobseeker's allowance (income based)	74,632	(43)	74,589	57,530	(65)	57,465
- Employment Support Allowance (non contributory)	1,954	-	1,954	-	-	-
Job grant	884	-	884	1,191	-	1,191
	<b>1,907,076</b>	<b>(3,460)</b>	<b>1,903,616</b>	<b>1,825,703</b>	<b>(3,693)</b>	<b>1,822,010</b>

## 7. Benefit expenditure paid from the National Insurance Fund

	2008-09			Restated 2007-08		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
<b>Pension Benefits</b>						
<b>Retirement pension</b>						
- basic element	1,196,852	-	1,196,852	1,127,822	-	1,127,822
- additional component	267,616	-	267,616	246,910	-	246,910
Christmas bonus	23,168	-	23,168	3,574	-	3,574
<b>Widow's benefit</b>						
- basic element	15,649	-	15,649	16,915	-	16,915
- additional component	3,433	-	3,433	3,932	-	3,932
- widow's payment	5,606	-	5,606	4,809	-	4,809
Unemployment, Invalidity and Sickness benefits	64	-	64	15	-	15
<b>Unemployment, Incapacity and other benefits</b>						
Jobseeker's Allowance - Contributions Based	20,370	-	20,370	10,193	-	10,193
Employment Support Allowance - Contributions Based	2,687	-	2,687	-	-	-
<b>Incapacity Benefit</b>						
- basic element	329,054	-	329,054	320,569	-	320,569
- additional component	7,472	-	7,472	8,511	-	8,511
<b>Family benefits</b>						
- Maternity Allowance	9,222	-	9,222	7,183	-	7,183
	<b>1,881,193</b>	<b>-</b>	<b>1,881,193</b>	<b>1,750,433</b>	<b>-</b>	<b>1,750,433</b>

## 8. Benefit expenditure paid from the Social Fund

	2008-09			Restated 2007-08		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
Funeral payments	2,530	-	2,530	2,259	-	2,259
Cold weather payments	1,838	-	1,838	-	-	-
Maternity payments	5,123	-	5,123	4,469	-	4,469
Community care payments	13,715	-	13,715	13,608	-	13,608
Winter fuel payments	67,716	-	67,716	52,008	-	52,008
Other - fair value adjustments and bad debts written off	(3,615)	-	(3,615)	312	-	312
	<b>87,307</b>	<b>-</b>	<b>87,307</b>	<b>72,656</b>	<b>-</b>	<b>72,656</b>

## 9. Tangible fixed assets

	Note	Land & Buildings Excluding Dwellings £000	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2008		18,315	8,593	395	27,303
Adjustment to opening balance	9a	(2,617)	-	-	(2,617)
Revised Opening Balance		15,698	8,593	395	24,686
Additions		14	88	1	103
Disposals		(179)	(7,279)	(320)	(7,778)
Revaluation		1,265	(12)	-	1,253
At 31 March 2009		16,798	1,390	76	18,264
<b>Depreciation</b>					
At 1 April 2008		2,199	7,325	367	9,891
Adjustment to opening balance	9a	(551)	-	-	(551)
Revised Opening Balance		1,648	7,325	367	9,340
Charge for year		319	357	8	684
Disposals		(177)	(7,033)	(326)	(7,536)
Transfers		-	-	-	-
Depreciation on Revaluation		(1,327)	(5)	-	(1,332)
At 31 March 2009		463	644	49	1,156
<b>Net book value</b>					
At 31 March 2009		16,335	746	27	17,108
At 31 March 2008		16,116	1,268	28	17,412
Revised balance at 31 March 2008		14,050	1,268	28	15,346

The net increase in asset values arising from the indexation of gross current replacement cost together with the related depreciation has been transferred to the revaluation reserve (Note 14.2). The impairment in value of Information Technology of £0.044m (2007-08: £0.037m) has been taken to the Operating Cost Statement for the year. The NBV at 31 March 2009 comprises only owned assets. The NBV of Land is made up entirely of freehold.

Analysis of capital expenditure	2008-09 £000	Restated 2007-08 £000
Additions per Fixed Asset note	103	548
Opening Fixed Asset Accrual	470	187
Closing Fixed Asset Accrual	-	(470)
Total Cash Payments per Cashflow Statement	573	265

**9a** The net adjustment of £2,558k to the opening balances for land and buildings is in respect of an amendment arising from a previous revaluation exercise. The net effect of these adjustments is also reflected in the revaluation reserve (Note 14.2).

## 10. Debtors

### 10.1 Amounts falling due within one year

Resource	Note	2008-09 £000	Restated 2007-08 £000
Amounts due from the Department - Resource Financing	10a	1,779	-
Prepayments		3,014	3,700
Other resource debtors	10b	1,021	835
		5,814	4,535

Programme	Note	2008-09			Restated 2007-08		
		Gross Debtors £000	Impairment and Discounting debt £000	Net Debtors £000	Gross Debtors £000	Impairment and Discounting debt £000	Net Debtors £000
<b>Benefit overpayments</b>							
- Contributory benefits	10g	290	(62)	228	339	(52)	287
- Non-contributory benefits	10g	5,739	(491)	5,248	4,027	(769)	3,258
- Social Fund		179	-	179	185	-	185
- Other	10c	1	-	1	4	-	4
<b>Benefit prepayments</b>							
- Contributory benefits		13,031	-	13,031	12,547	-	12,547
- Non-contributory benefits		6,596	-	6,596	7,391	-	7,391
<b>Social Fund loans</b>							
- Funeral loans	10j	61	(59)	2	95	-	95
- Other loans	10d	40,701	(7,016)	33,685	45,271	-	45,271
Amounts due from the Department - NIF debtor	10e	8,012	-	8,012	7,702	-	7,702
Other programme debtors	10f	2,555	(398)	2,157	3,289	(433)	2,856
Amounts due from the Department - Programme Financing	10a	541	-	541	652	-	652
		77,706	(8,026)	69,680	81,502	(1,254)	80,248
<b>Total amounts falling due within one year</b>	-	-	-	-	-	-	84,783
Prior Period Adjustment	10.3	-	-	-	-	(9,894)	(9,894)
<b>Revised amounts falling due within one year</b>		<u>77,706</u>	<u>(8,026)</u>	<u>69,680</u>	<u>81,502</u>	<u>(11,148)</u>	<u>74,889</u>
				<u>75,494</u>			<u>74,889</u>

**10a** The Agency's attributable proportion of the Departmental bank balance for both resource and programme expenditure is shown as 'Amounts due from the Department'. For the year ended 31 March 2009 the Agency's resource bank balance held within the Departmental bank accounts is a debit balance of £1.779m (2007-08: (£0.704m) credit balance). The Agency programme bank balance is disclosed under 'Amounts due from the Department' - Programme financing, and the balance held is £0.541m (2007-08: £0.652m).

Programme and Resource Financing are classified as a Financial Instrument under FRS 25, FRS 26, FRS 29 criteria. The fair value for Resource and Programme financing approximates to the current value stated in the balance sheet owing to the short maturity of this instrument.

**10b** Other resource debtors include an amount of £0.598m in relation to the Agency's attributable proportion of the Departmental VAT account held with HMRC (2007-08: £0.635m), the balance of £0.423m (2007-08: £0.200m) is made up of other sundry debtors.

**10c** Other benefit overpayments consist of £0.001m of Post Office Card Account (POCA) debt being recovered by Debt Centre Northern Ireland (DCNI), relating to 4 customers. (2007-08: £0.004m, 15 customers).

**10d** Other Social Fund loans consist of: Budgeting Loans £33.038m (2007-08: £37.297m) and Crisis Loans £7.663m (2007-08: £7.974m).

Social Fund Loans are classified as a Financial Instrument under FRS 25, 26, 29 criteria. These standards require Social Fund Loans to be stated in the balance sheet at their fair value. The fair value adjustment to the gross debtor replaces the previous bad debt provision.

The fair value adjustment has been applied to debtor balances as at 1 April 2008 as per HM Treasury guidance (MS FD (09) 01).

The financial impact on the implementation of Financial Instrument under FRS 25, 26,29 criteria at 1 April 2008 is a decrease of £17,143k (£45,271k - £28,128k) for Social Fund Loans.

- 10e** Part of the Agency's attributable proportion of the centrally held bank balances represent amounts due to the Department/ Agency in respect of NIF benefits. This balance represents amounts due from Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits.
- 10f** Other programme debtors consist of: Child Maintenance Enforcement Division (CMED) (previously Child Support Agency (CSA)) £0.056m (2007-08: £0.125m), Overseas Governments £0.148m (2007-08: £0.116m), Compensation Recovery Unit (see Note (i) below) £0.688m (2007-08: £1.001m), others £0.114m, (2007-08: £0.007m) unadjudicated debt (see Note (ii) below) £1.192m (2007-08: £1.639m), DWP (see note (iii) below) £0.212m (2007-08: £0.401m). HMRC £0.145 (2007-08: £0.000m) Impairment (-£0.398m) (2007-08: (-£0.433m)).
- 10g** Benefit Overpayment Debt is classified as a Financial Instrument under FRS 25, 26, 29 criteria. These standards require Benefit Overpayment Debt to be stated in the balance sheet at its fair value. The fair value adjustment to the gross debtor replaces the previous bad debt provision.

The fair value adjustment has been applied to debtor balances as at 1 April 2008 as per HM Treasury guidance (MS FD (09) 01).

The financial impact on the implementation of Financial Instrument under FRS 25, 26,29 criteria at 1 April 2008 is an increase of £258k (£3,545k - £3,803k) for Benefit Overpayment Debt.

**Note (i)**

This balance represents social security benefits recoverable from insurance compensation claims. This debt is only recognised in the Balance Sheet at the point at which a settlement is notified to the Compensation Recovery Unit by the compensator.

Certificates of recoverable benefit are issued upon request to compensators (primarily insurance companies) where a compensation claim is made as a result of an accident or injury. Until there is acceptance of liability by the compensator and a payment made for compensation, the Agency has no right to demand recovery of benefit payments made as a consequence of this accident or injury. Therefore, no acknowledgement is made in the Agency's 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 Agency for the year ended 31 March 2009, £8.235m (2007-08: £8.725m), 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 generated will differ significantly in the next financial year.

**Note (ii)**

The Agency undertakes an exercise to value the potential benefit overpayment debt not yet notified to DCNI and held at local and central benefit offices. This exercise was completed for the 2008-09 financial year. The valuation of the unadjudicated debt is based on a stockcount of debt cases at 31 March 2009, an analysis based on historical trends of the percentage of debt determined to be recoverable, and an estimation of the average value of an overpayment debt case again based on historical analysis.

The value for the potential debt balance at 31 March 2009 is estimated to be £11.920m (2007-08: £14.896m) and is disclosed as £1.192m (2007-08: £1.639m) within other programme debtors less than one year, and £10.728m (2007-08: £13.257m) within other programme debtors falling due after more than one year (see Note 10.2).

**Note (iii)**

In the financial year 2007-08 the Agency changed its accounting treatment in relation to the transfer of benefit overpayment debt balances between Northern Ireland (NI) and Great Britain (GB). Previously these were recorded net as charges to the Operating Cost Statement. As per the new methodology introduced in 2007-08, for this financial year the equivalent amount of the debts transferred have been appropriately recorded as DWP debtor and creditor balances. Within the total balance for other programme debtors of £2.555m there is an amount of £0.212m which represents the balance owing from DWP to the Agency for benefit overpayment debt that has transferred from NI to GB.

- 10j** Social Fund Loans are classified as a Financial Instrument under FRS 25, 26, 29 criteria. These standards require Social Fund Loans to be stated in the balance sheet at their fair value. The fair value adjustment to the gross debtor replaces the previous bad debt provision.

The fair value adjustment has been applied to debtor balances as at 1 April 2008 as per HM Treasury guidance (MS FD (09) 01).

The financial impact on the implementation of Financial Instrument under FRS 25, 26,29 criteria at 1 April 2008 is a decrease of £92k (£95k - £3k) for Social Fund Loans.

## 10.2 Amounts falling due after more than one year

Resource	2008-09 £000	Restated 2007-08 £000
Prepayments	-	-
Other debtors	-	-
	-	-

Programme	Note	2008-09			Restated 2007-08		
		Gross Debtors £000	Impairment and Discounting debt £000	Net Debtors £000	Gross Debtors £000	Impairment and Discounting debt £000	Net Debtors £000
<b>Benefit overpayments</b>							
- Contributory benefits	10g	4,463	(3,489)	974	3,405	(1,289)	2,116
- Non-contributory benefits	10g	71,124	(47,225)	23,899	67,742	(28,507)	39,235
- Social Fund		-	-	-	-	-	-
<b>Benefit prepayments</b>							
- Contributory benefits		-	-	-	-	-	-
- Non-contributory benefits		-	-	-	-	-	-
<b>Social Fund loans</b>							
- Funeral loans	10j	5,505	(5,392)	113	4,388	(2,588)	1,800
- Other loans	10h	37,762	(9,469)	28,293	26,194	(360)	25,834
Other programme debtors	10i	10,728	-	10,728	13,257	-	13,257
<b>Total amounts falling due after more than one year</b>		<b>129,582</b>	<b>(65,575)</b>	<b>64,007</b>	114,986	(32,744)	82,242
Prior Period Adjustment	10.3	-	-	-	-	(28,703)	(28,703)
<b>Revised amounts falling due after more than one year.</b>		<b>129,582</b>	<b>(65,575)</b>	<b>64,007</b>	114,986	(61,447)	53,539
				<b>64,007</b>			<b>53,539</b>

**10g** Benefit Overpayment Debt is classified as a Financial Instrument under FRS 25, 26, 29 criteria. These standards require Benefit Overpayment Debt to be stated in the balance sheet at its fair value. The fair value adjustment to the gross debtor replaces the previous bad debt provision.

The fair value adjustment has been applied to debtor balances as at 1 April 2008 as per HM Treasury guidance (MS FD (09) 01).

The financial impact on the implementation of the new Financial Instrument accounting standards at 1 April 2008 is a decrease of £17,187k (£41,351k - £24,164k) for Benefit Overpayment Debt.

**10h** Other Social Fund loans consist of Budgeting Loans £24.259m (2007-08: £17.233m) and Crisis Loans £13.503m (2007-08: £8.961m).

Social Fund Loans are classified as a Financial Instrument under FRS 25, 26, 29 criteria. The standards require Social Fund Loans to be stated in the balance sheet at their fair value. The fair value adjustment to the gross debtor replaces the previous bad debt provision.

The fair value adjustment has been applied to debtor balances as at 1 April 2008 as per HM Treasury guidance (MS FD (09) 01).

The financial impact on the implementation of Financial Instrument under FRS 25, 26, 29 criteria at 1 April 2008 is a decrease of £2,777k (£25,834k - £23,057k) for Social Fund Loans.

**10i** Other programme debtors consists of £10.728m (2007-08: £13.257m) relating to the valuation of the potential debt balance at 31 March 2008. (See Note 10.1).

**10j** Social Fund Funeral Loans are classified as a Financial Instrument under FRS 25, 26, 29 criteria. These standards require Social Fund Loans to be stated in the balance sheet at their fair value. The fair value adjustment to the gross debtor replaces the previous bad debt provision.

The fair value adjustment has been applied to debtor balances as at 1 April 2008 as per HM Treasury guidance (MS FD (09) 01).

The financial impact on the implementation of Financial Instrument under FRS 25, 26,29 criteria at 1 April 2008 is a decrease of £1,655k (£1,800k - £145k) for Social Fund Loans.

### 10.3 Prior Period Adjustments

The Total Prior Period Adjustment figures are made up as follows:

Fair Value Adjustment	Benefit Category	Programme < 1 Year 2007-08	Programme > 1 Year 2007-08	Restated Total 2007-08
Discounting	Vote	-	(3,242)	(3,242)
Discounting	NIF	-	(191)	(191)
Discounting	Social Fund	-	(1,614)	(1,614)
Impairment	Vote	231	(12,882)	(12,651)
Impairment	NIF	27	(872)	(845)
Impairment	Social Fund	<u>(10,152)</u>	<u>(9,902)</u>	<u>(20,054)</u>
		<u>(9,894)</u>	<u>(28,703)</u>	<u>(38,597)</u>

The Prior Period Adjustment is as a result of the introduction of FRS 25, 26 and 29 for the 2008-09 financial year. For further information see Accounting Policy Note 1.2.

### 10.4 Intra-Government Balances

	Note	Resource < 1 Year 2008-09	Programme < 1 Year 2008-09	Programme > 1 Year 2008-09	Total 2008-09	Restated Total 2007-08
Balances with other central government bodies	(i)	<b>2,377</b>	<b>9,228</b>	-	<b>11,605</b>	9,520
Balances with local authorities		-	-	-	-	-
Balances with NHS trusts		-	-	-	-	-
Balances with public corporations and trading funds		-	-	-	-	-
Subtotal: intra-government balances		<b>2,377</b>	<b>9,228</b>	-	<b>11,605</b>	9,520
Balances with bodies external to government		<u>3,437</u>	<u>60,452</u>	<u>64,007</u>	<u>127,896</u>	<u>157,505</u>
Total debtors at 31 Mar 2009		<u><b>5,814</b></u>	<u><b>69,680</b></u>	<u><b>64,007</b></u>	<u><b>139,501</b></u>	<u>167,025</u>

(i) Resource debtor balances with other central government bodies includes the 'Department - resource financing' bank balance £1.779m (2007-08: £Nil) and HMRC £0.598m (2007-08: £0.635m). Programme debtor balances with other central government bodies include NIF Debtor £8.012m (2007-08: £7.702m), the 'Department - programme financing' bank balance £0.541m (2007-08: £0.652m) DWP Debtor £0.212m (2007-08: £0.401m), CMED £0.056m (2007-08: £0.125m), Others £0.407m (2007-08: £0.005m).

## 11. Cash with paying agents

	Note	2008-09 £000	Restated 2007-08 £000
Alliance & Leicester Commercial Bank plc	11a	<b>4,064</b>	2,544
		<b>4,064</b>	2,544

**11a** As at 31 March 2009 the balance held with the Alliance & Leicester Commercial Bank plc is a debit balance £4.064m (2007-08: £2.544m).

Cash with paying agents is classified as a Financial Instrument under FRS 25, FRS 26 and FRS 29 criteria. The fair value for cash with paying agents approximates to the current value stated in the balance sheet owing to the short maturity of this instrument.

## 12. Creditors

### 12.1 Creditors - amounts falling due within one year

Resource	Note	2008-09 £000	Restated 2007-08 £000
Accruals		<b>15,328</b>	8,968
Other creditors	12a	<b>344</b>	1,221
Amounts due to the Department - Resource Financing	12b	-	704
		<b>15,672</b>	10,893

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Programme	Note	2008-09 £000	Restated 2007-08 £000
Benefit accruals			
- Contributory benefits		<b>25,238</b>	22,306
- Non-contributory benefits		<b>32,752</b>	33,415
- Social Fund		<b>184</b>	139
Encashment control	12d	<b>3,044</b>	3,848
Other programme creditors	12c	<b>4,392</b>	3,887
		<b>65,610</b>	63,595
<b>Total amounts falling due within one year</b>		<b>81,282</b>	74,488

**12a** Other resource creditors include Belfast Benefit Delivery Centre £0.281m (2007-08: £0.995m), Consolidated Fund Extra Receipts £0.011m (2007-08: £0.014m), and other sundry creditors £0.052m (2007-08: £0.212m).

**12b** The Agency's attributable proportion of the Departmental bank balance for both resource and programme expenditure is shown as, 'Amounts due from the Department'. For the year ended 31st March 2009 the Agency's resource bank balance held within the Departmental bank accounts is a debit balance of £1.779m disclosed within debtors (2007-08: (£0.704m) credit balance).

Programme and Resource Financing are classified as a Financial Instrument under FRS 25, FRS 26, FRS 29 criteria. Fair value for Resource and Programme financing approximates to the current value stated in the balance sheet owing to the short maturity of this instrument.

**12c** Other programme creditors consist of HMRC £0.056m (2007-08: £0.411m), DWP £0.171m (2007-08: £0.283m), DEL £0.0m (2007-08: £0.139m), Health Service £1.094m (2007-08: £0.639m), Overseas Governments £0.014m (2007-08: £0.014m), Third Party £2.824m (2007-08: £2.306m) Sundry £0.228m (2007-08: £0.093m) and Consolidated Fund Extra Receipts £0.005m (2007-08 £0.002m).

Contractual other programme creditors are classified as a Financial Instrument under FRS 25, FRS 26, FRS 29 criteria. Fair value for contractual other programme creditors approximates to the current value stated in the balance sheet owing to the short maturity of this instrument.

**12d** Encashment control creditor is classified as a Financial Instrument under FRS 25, FRS 26, FRS 29 criteria. Fair value for the encashment control creditor approximates to the current value stated in the balance sheet owing to the short maturity of this instrument.

## 12.2 Intra-Government Balances

	Note	Resource < 1Year 2008-09	Programme < 1Year 2008-09	Total 2008-09	Restated Total 2007-08
Balances with other central government bodies	(i)	9,272	3,101	12,373	4,840
Balances with local authorities		-	-	-	-
Balances with NHS trusts		-	1,094	1,094	639
Balances with public corporations and trading funds		-	-	-	-
Subtotal: intra-government balances		9,272	4,195	13,467	5,479
Balances with bodies external to government		6,400	61,415	67,815	69,009
Total creditors at 31 Mar 2009		15,672	65,610	81,282	74,488

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(i) Resource creditor balances with other central government bodies includes DWP Creditor £9.261m (2007-08: £0.995m), Department - 'resource financing' bank balance £0.0m (2007-08: £0.704m credit balance), and Consolidated Fund Extra Receipts £0.011m (2007-08: £0.014m).

Programme creditor balances with other central government bodies includes HMRC £0.056m (2007-08: £0.411m), DEL £0.00m (2007-08: £0.139m), DWP Creditor £0.171m (2007-08: £0.283m), Consolidated Fund Extra Receipts £0.005m (2007-08: £0.002m), Third Party and Sundry £2.869m (2007-08: £2.306m).

## 13. Provisions for liabilities and charges

	2008-09			Restated 2007-08		
	Resource £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Balance as at 1 April	1,399	1,512	2,911	1,181	1,645	2,826
Provided in year	94	(125)	(31)	748	-	748
Provision not required written back	-	-	-	-	(133)	(133)
Under provision	(258)	-	(258)	(261)	-	(261)
Provision utilised in the year	(378)	-	(378)	(269)	-	(269)
Balance as at 31 March	857	1,387	2,244	1,399	1,512	2,911

**Resource provisions include:**

- (i) Early departure costs £104k (2007-08: £129k).
- (ii) Personal injury cases £678k (2007-08: £934k).
- (iii) Equal opportunity cases £75k (2007-08: £336k).

**Programme provisions include:**

- (i) Compensation Recovery Unit cases appealed and unprocessed amounted to £1.387m (2007-08: £1.512m).

The Agency must meet the cost of Compensation Recovery Unit cases that are successfully appealed. At any point in time, there are a certain number of cases for which appeals or reviews have not been processed. The Agency provides for the estimated adjustment to recoveries in respect of unprocessed appeals and reviews.

## 14. Reconciliation of movement in taxpayers' equity

### 14.1 General fund

	Note	2008-09			Restated 2007-08		
		Resource £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Balance as at 1 April		(2,653)	61,330	58,677	16,489	89,527	106,016
Adjustment to Opening Balance		-	-	-	(66)	-	(66)
Net cash inflow from financing	15.4	128,136	3,881,540	4,009,676	102,292	3,655,499	3,757,791
Net cost of operations		(155,655)	(3,874,469)	(4,030,124)	(144,446)	(3,648,029)	(3,792,475)
Notional costs	4.4	23,922	-	23,922	22,653	-	22,653
Cost of capital		265	2,353	2,618	425	2,930	3,355
Prior Period Adjustment	10.3	-	-	-	-	(38,597)	(38,597)
Balance as at 31 March		(5,985)	70,754	64,769	(2,653)	61,330	58,677

### 14.2 Revaluation reserve

	Note	2008-09		Restated 2007-08	
		£000	£000	£000	£000
Balance as at 1 April			12,308		12,211
Adjustment to opening balance	9a		(2,558)		95
Revised Opening Balance			9,750		12,306
Surplus on revaluation of gross current replacement cost		1,341		-	
Deficit previously unrecognised taken to operating cost statement		-		65	
Charge for current cost backlog depreciation on revaluation		1,287		(63)	
			2,628		2
Balance as at 31 March			12,378		12,308

The revaluation reserve represents the unrealised element of the cumulated balance of indexation and revaluation adjustments.

## 15. Notes to the Cash Flow Statement

### 15.1 Reconciliation of operating cost to operating cash flows

	Note	2008-09			Restated 2007-08		
		Resource £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Net operating cost		<b>(155,655)</b>	<b>(3,874,469)</b>	<b>(4,030,124)</b>	(144,446)	(3,648,029)	(3,792,475)
Adjustment for non-cash transactions	15.6	<b>24,499</b>	<b>2,228</b>	<b>26,727</b>	24,619	2,797	27,416
Adjustment for movements in working capital other than cash	15.7	<b>3,593</b>	<b>(9,299)</b>	<b>(5,706)</b>	17,800	(10,267)	7,533
Net cash outflow from operating activities		<b>(127,563)</b>	<b>(3,881,540)</b>	<b>(4,009,103)</b>	(102,027)	(3,655,499)	(3,757,526)

### 15.2 Analysis of capital expenditure

	Note	2008-09			Restated 2007-08		
		Resource £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Payments to acquire fixed assets	9	<b>573</b>	-	<b>573</b>	265	-	265
Net cash outflow from investing activities		<b>573</b>	-	<b>573</b>	265	-	265

### 15.3 Analysis of financing

	Note	2008-09			Restated 2007-08		
		Resource £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
From Consolidated Fund	15.4	<b>128,136</b>	<b>3,881,540</b>	<b>4,009,676</b>	102,292	3,655,499	3,757,791
Net Financing		<b>128,136</b>	<b>3,881,540</b>	<b>4,009,676</b>	102,292	3,655,499	3,757,791

## 15.4 Reconciliation of financing

	Note	2008-09			Restated 2007-08		
		Resource £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Request for Resources A		126,357	1,897,823	2,024,180	102,996	1,812,074	1,915,070
National Insurance Fund		-	1,878,674	1,878,674	-	1,757,123	1,757,123
Social Fund		-	96,490	96,490	-	77,948	77,948
Amounts due from/(to) consolidated fund - financing		1,779	541	2,320	(704)	652	(52)
Amounts due from the consolidated fund - financing NIF		-	8,012	8,012	-	7,702	7,702
Net cash inflow from financing		<u>128,136</u>	<u>3,881,540</u>	<u>4,009,676</u>	<u>102,292</u>	<u>3,655,499</u>	<u>3,757,791</u>

There were no reconciling items arising from the 2007-08 accounts

## 15.5 Changes in cash and cash equivalents

The Agency's attributable proportion of the Departmental bank account has been included within the reconciliation of financing for the financial year 2008-09. The total of the centrally held Departmental bank accounts are shown in the DSD Resource Accounts.

## 15.6 Non cash transactions

	2008-09			Restated 2007-08		
	Resource £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Depreciation	192	-	192	983	-	983
Permanent diminution of fixed assets	44	-	44	37	-	37
Loss on disposal of fixed assets	240	-	240	34	-	34
Notional costs (note 4.4)	23,922	-	23,922	22,653	-	22,653
Cost of capital	265	2,353	2,618	425	2,930	3,355
Provisions Charged	<u>(164)</u>	<u>(125)</u>	<u>(289)</u>	<u>487</u>	<u>(133)</u>	<u>354</u>
Total non-cash transactions	<u>24,499</u>	<u>2,228</u>	<u>26,727</u>	<u>24,619</u>	<u>2,797</u>	<u>27,416</u>

## 15.7 Movements in working capital other than cash

	2008-09			Restated 2007-08		
	Resource £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
(Increase)/decrease in debtors and prepayments	(1,263)	(9,794)	(11,057)	15,875	(21,361)	(5,486)
(Increase)/decrease in paying agents	-	(1,520)	(1,520)	-	1,862	1,862
Increase/(decrease) in creditors and accruals	5,234	2,015	7,249	2,194	9,232	11,426
Use of Provisions	(378)	-	(378)	(269)	-	(269)
	<u>3,593</u>	<u>(9,299)</u>	<u>(5,706)</u>	<u>17,800</u>	<u>(10,267)</u>	<u>7,533</u>

## 16. Capital commitments

There were no capital commitments contracted for but not provided at 31 March 2009 (2007-08: £Nil).

## 17. 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.

Obligations under operating leases comprise:	2008-09 £000	Restated 2007-08 £000
<b>Land and Buildings</b>		
Within one year	-	-
Between two and five years	-	-
After five years	-	-
	<u>-</u>	<u>-</u>
<b>Other</b>		
Within one year	11	21
Between two and five years	101	58
After five years	-	-
	<u>112</u>	<u>79</u>

## 18. Other financial commitments

The payments to which the Agency is committed during 2008-09, analysed by the period in which the commitment expires, is as follows:

	2008-09 £000	Restated 2007-08 £000
Within one year	-	-
Between two and five years	<b>1,787</b>	1,650
After five years	-	-
	<b>1,787</b>	1,650

During the 2008-09 financial year the Agency migrated its existing PFI contract service to new service arrangements. The effective date of this re-structuring was July 2008. As a result of the re-structuring the annual service charge for the contract will change and this is reflected in the 2007-08 figure above for commitments between two and five years. The existing duration period of the contract will remain unchanged after the migration takes place.

## 19. Contingent Liabilities disclosed under FRS 12

The former Minister for Finance and Personnel announced measures in May 2008 to address equal pay issues in the Northern Ireland Civil Service. The present Minister for Finance and Personnel has assured NIPSA of the commitment to resolve the equal pay issue, if possible, through a negotiated settlement and without the need for litigation. In May 2009 he confirmed to NIPSA that a settlement offer had not been made but that he had instructed officials to work intensively with NIPSA to establish, as clearly as possible, parameters within which a negotiated settlement might be reached so that he, in conjunction with his Ministerial colleagues in the Executive, can consider how the matter should be taken forward.

NIPSA has lodged equal pay claims with the Industrial Tribunal on behalf of its female members in the AA, AO and E011 and analogous grades in the NICS. The Department of Finance and Personnel (DFP) has assessed the potential impact of these equal pay claims and the wider equal pay issue against relevant accounting standards, in particular FRS 12. The ministerial statements have created an obligation on the part of the NICS to comply with equal pay legislation and to address any anomalies that may exist in its present pay and grading structures. However, DFP considers that a reliable estimate cannot be made, at this point in time, of the potential liability to resolve the issue. This is as a result of the complexities associated with the resolution of the issue, including establishing clearly the extent to which the claims may be valid, the groups of staff that might be entitled to a payment and the size of those payments. Consequently, DFP does not consider that it is possible to reach a reliable estimate of the obligation, and thus make a provision under the criteria set out in FRS 12.

## 20. Key corporate financial targets

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

### Budget target table

Budget type	Year	Business Plan Target £000	Revised Target £000	Outturn £000
Resource and other current	2008 - 09	211,289	182,424	180,608
Capital	2008 - 09	65,400	771	103
Non Cash	2008 - 09	7,177	2,016	453
Benefits paid from the Northern Ireland Consolidated Fund	2008 - 09	2,009,111	2,020,389	1,907,076
Benefits paid from the Northern Ireland National Insurance Fund	2008 - 09	1,825,302	1,919,347	1,881,193
Benefits paid from the Social Fund	2008 - 09	81,934	100,490	87,307

## 21. Fees and charges information

**Financial objective:** Full cost recovery

**Name of service :** Mortgage Interest Direct (resource charges)

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	2008-09 £000	Restated 2007-08 £000
Full cost	(101)	(86)
Income	80	87
Surplus/(Deficit)	(21)	1

Income from pre-set transaction charges was not sufficient to cover the costs incurred in administering the Mortgage Interest Direct Scheme (MIDS) during the 2008-09 year.

The methodology for calculating the full cost for MIDS (resource cost charges) was updated during 2004-05. A benchmarking exercise was undertaken to establish a cost for the volume of transaction processing undertaken in providing this service. This revised cost methodology has been used to calculate the full cost reported for 2008-09.

## 22. Related party transactions

On 2 December 1999, the Northern Ireland Social Security Agency became part of the newly formed Department for Social Development (DSD). Prior to this, the Agency had been part of the Department of Health and Social Services, which, as part of the programme of restructuring of Northern Ireland Departments has now become the Department of Health, Social Services and Public Safety.

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

In addition, the Agency has taken part in various material transactions with other government departments and other central government bodies. Most of these transactions have been with the Department of Health, Social Services and Public Safety. Other entities include the Department for Employment and Learning and the Department of Finance and Personnel in Northern Ireland, and the Department for Work and Pensions in Great Britain.

During the year, none of the board members, members of the key management staff or other related parties has undertaken any material transactions with the Agency.

## 23. Losses and Special Payments

The information presented here is on a cash basis.

	2008-09			Restated 2007-08 £'000
	Resource £'000	Programme £'000	Total £'000	
<b>Losses</b>				
Total (13 Cases)	8	-	8	12
<b>Special payments</b>				
Total (6008 cases)	7	1,479	1,486	1,911
Comprising:				
Ex-Gratia Payments (383 cases)	-	572	572	675
Extra-Statutory Payments (5331 cases)	7	884	891	1,236
NIRS 2 payments (294 cases)	-	23	23	-
<b>Social Security - Administered by the Social Security Agency</b>				
Losses - Bad Debts Written Off (approx 50,400 cases)	-	12,214	12,214	6,773
Overpayments of Income Support and JSA Child Premium arising from Child Tax Credit (approx 600 cases)	-	298	298	-
Losses - Social Fund Loans Written Off				
Total (approx 2686 cases)	-	1,595	1,595	2,242
Losses in relation to Post Office Card Accounts Total (approx 247 cases)	-	65	65	112

## 24. Incapacity Benefit Credit entitlement records on NIRS2 and PSCS

Individuals in receipt of Incapacity Benefit payments also receive National Insurance credits for periods when they are unable to work. These credits accrue towards an individual's entitlement to State Pension and other contributory benefits, and are used to calculate whether a particular tax year is a qualifying year for benefit purposes. The Agency's Pensions Strategy Computer System (PSCS) which is used to record, assess and pay claims for Incapacity Benefit, provides the National Insurance Recording

System (NIRS2) with information on Incapacity Benefit liabilities to allow the relevant credits to be recorded against the individual's National Insurance account. During the 2004-05 year it became clear that the information on periods of incapacity recorded on NIRS2 and PSCS did not match in all cases. Further extensive investigation was undertaken by the Agency to correct the source of the error. This work was similar to the actions undertaken by the Department for Work and Pensions (DWP) in GB to address the same issue, and since November 2005, the link on recording Incapacity Benefit between PSCS and NIRS2 computer systems has worked effectively. However this left a legacy of incorrect contributory benefit awards based on erroneous National Insurance records.

It was estimated that the potential error would be made up of a combination of over and under payments in four benefit categories – State Pension, Bereavement Benefit, Incapacity Benefit and Job Seekers Allowance. In July 2007 the Under Secretary of State for DWP announced the steps that the Government intended to take for the past cases where errors have occurred and the Agency also adopted this approach. For overpayments, where payments had been made and received in good faith, regulations came into effect in NI on 01 October 2007 to allow the Agency to pay the current contributory benefit awards at their current levels for the duration of the claim. Consequently these payments are legally correct and there are no overpayments.

In relation to potential underpayments work has therefore continued throughout the last two financial years to identify relevant cases and pay any arrears that may be due. A Ministerial commitment was given in July 2008 to complete the work involved in identifying the underpayment cases by December 2008. Whilst all output has been actioned and all potentially underpaid cases have been identified, in a small number of cases the work to calculate and pay any arrears due has not been completed. An approximation of arrears paid in 2008-09 amounts to £258,505 (424 cases). The Agency has also paid special compensation payments to the value of approximately £23,480 (294 cases). These payments are also disclosed within Losses and Special Payments Note 23.

## Overpayment of Carers Allowance Following Changes to NIRS2

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Carers Allowance (CA) customers under state pension age are entitled to class 1 National Insurance (NI) credits. At the end of the tax year the CA Computer System sends details of the credits to NIRS2, which updates the customers NI account. NIRS2 then identifies any accounts where duplicate credits have occurred and an exception report (RD23) is produced. It has been established that NIRS2 will only produce an RD23 if the credits are posted to the NI account after the employer has posted their contributions.

As CA credits are posted by the end of April each year, the majority of credits will be placed in the NI account before the employers' contributions. This means that most overlaps are not being identified by NIRS2. A change request was implemented in October 2008 which will ensure that an RD23 is produced regardless of when the credits and contributions are posted. This change will cover tax years from 1997-98 onwards.

A national scan has been commissioned from the NIRS 2 system to identify data that can be cross matched against the CA system to identify the number of RD23 cases that require investigation.

However as part of a previous RD23 exercise additional action was taken by the Agency when reviewing cases and it anticipates this should reduce the actual number of NI RD23 CA/NIRS cases that will require investigation. This additional action was not taken nationally, therefore at this point in time there is no reliable information to estimate the number of RD23 CA/NIRS cases for NI. The Agency will monitor the ongoing work with this issue both internally within our own organisation, and in line with ongoing developments in DWP and Her Majesty's Revenue and Customs.

## 25. Post Balance Sheet Events

There were no post balance sheet events which could have had a material effect on the state of affairs of the Agency as at 31 March 2009 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

## 26. Payment Accuracy

The Agency aims to pay the right money to the right person at the right time. Social Security legislation lays out the basis on which the Agency calculates and pays benefits. However, the complexity of the benefit systems and inherent risk associated with the award and payment of benefits result in inaccurate payments being made in a proportion of the awards we make. The Agency does have a robust security strategy in place to tackle losses and measure results. The focus is on:-

- Getting it right - by preventing fraud and error entering the benefit system at the point of application;
- Keeping it right - by reviewing cases regularly and systematically in order to detect and eliminate fraud and error that has entered the system;
- Putting it right - by identifying claims that have become erroneous and taking prompt action to correct them; by detecting and preventing fraud through the provision of a proactive and reactive investigative service; taking appropriate action to apply sanctions on deliberate offenders; and,
- Making sure the strategy works - by monitoring progress and regularly evaluating the strengths and weaknesses within the strategy and adjusting practices as appropriate.

The Agency currently administers 33 benefits to over 900,000 people at any one time. Processing volumes related to this are approximately 35 million benefit payments per year, with 580,000 fresh claims and 750,000 changes in customer circumstances. Any benefit system that pays out money in response to given circumstances will always be vulnerable to fraud, and a system that relies on human input will be more susceptible to both customer and official error. Despite these challenges the majority of the Agency's benefit expenditure is paid correctly.

During the calendar year 2008 the Agency has continued its regular monitoring and measurement of the levels of fraud and error. Essentially this involves the measurement of two main activities.

### **(i) Financial Accuracy Monitoring**

### **(ii) Benefit Reviews**

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

For clarity additional tables have also been included within the 2008 Payment Accuracy note to show the totals of estimated overpayments and underpayments for the last two years.

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

### Methodology Changes

In 2008 the methodology used to calculate the estimated levels of over and under payments through customer fraud and error was revised in order to improve both the rigour of the estimates, and to align the methodology with that employed by DWP in GB. A combined ratio estimator, which considers both

weekly error values and weekly award values, has replaced a mean per unit estimator as the grossing formula. The use of the ratio estimation may increase the precision of the estimates. In addition a new methodology called 'bootstrapping' was introduced in 2008 for calculating the confidence intervals associated with these estimates. This methodology was adopted to provide more robust confidence intervals. The methodology for calculating losses due to official error within Social Fund has been revised to account for stratification in the sample selection. This change increases the statistical accuracy of the Social Fund financial accuracy estimates.

In order to enable reliable comparisons between one year and the next the Fraud and Error estimates for 2007 have accordingly been reworked using the new 2008 methodologies. Thus the comparative figures stated within the tables for 2007 may not be the same figures as detailed in the Agency's 2007-08 Annual Report and Accounts.

## Confidence Intervals

The Department reviews a sample of claims and this sampling approach introduces statistical uncertainty into the figures. This uncertainty is quantified with 95% confidence interval. These give the range in which we can be 95% sure that the true value lies for each of the estimates presented. They allow for the additional uncertainty that comes from the use of older measurements.

The official error estimates are based on the results of the Agency's Financial Accuracy Exercises completed in 2008. Customer error and customer fraud estimates for Income Support, State Pension Credit and Disability Living Allowance are based on results from the Benefit Reviews in 2008. Customer error and customer fraud estimates for Jobseekers Allowance, Incapacity Benefit and Carers Allowance are based on the results of Benefit Reviews in 2007. The customer error estimate for State Pension is based on the results from the 2005-06 State Pension pilot National Benefit Review completed by the Department for Work and Pensions (DWP) in Great Britain. This GB review estimated customer error to be 0.1% of annual expenditure. The relevant entries in the tables below are based pro rata on the Agency's State Pension expenditure figures for the respective financial years.

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In summary the total expenditure stated for 2008 includes expenditure on the 11 benefits reviewed as part of the Financial Accuracy and Benefit Review exercises, a total of £3,703.5m, plus an amount of £85.3m on other benefit expenditure in year, total annual expenditure £3,788.8m.

The other benefit expenditure for the calendar year 2008 includes, Industrial Injuries Benefit £27.2m, Severe Disability Allowance £40.8m, Christmas Bonus £4.7m, Maternity Allowance £9.0m, Employment and Support Allowance £0.7m and sundry expenditure of £2.9m. Other benefit expenditure for the calendar year 2007 includes, Industrial Injuries Benefit £26.7m, Severe Disability Allowance £41.2m, Christmas Bonus £5.7m, Maternity Allowance £6.2m and sundry expenditure of £3.5m.

Within the tables detailed below the confidence intervals for Benefit Reviews undertaken in 2007 are wider than those previously included within the respective 2007 Benefit Review reports. This is due to the additional uncertainty which comes from using data from Benefit Reviews undertaken prior to 2008.

Jobseekers Allowance Training allowances - The figures quoted in the tables below for the annual benefit expenditure amounts for Jobseekers Allowance include the associated expenditure for Jobseekers Training allowances as provided by the Agency. The respective annual amounts for these training allowances are not included within the Agency's programme operating costs in the accounts but are instead netted off from the respective debtor or creditor balance held with the Department for Education and Learning (DEL) at the financial year-end.

Instrument of Payment (IOP) Fraud - The IOP figures in 2008 and 2007 relate to duplicate encashment of cheques.

Individual estimates for 2008 are produced based on the financial information at the time of the preparation of the accounts.

Figures have been calculated to more decimal places than shown and have been rounded for presentational purposes. This means that where a breakdown of a total is given the rounded individual parts may not sum exactly to the overall rounded total. Estimates are quoted to the nearest £0.1 million.

## A: Overpayments

### Total Benefit Overpayments

The table below shows the total estimates of benefit overpayments for the last two years, 2008 and 2007.

Comparisons between the two years show that the Agency's performance continues to improve and total losses arising from benefit fraud and error are reducing.

### Estimates of total benefit overpayments for 2008 and 2007

2008	Expenditure	Monetary Value of Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval
Official Error	£3,788,780,580	£18,419,867	£14,626,973	£23,027,698	0.5%	0.4%	0.6%
Customer Error	£3,788,780,580	£13,434,529	£8,360,641	£20,139,958	0.4%	0.2%	0.5%
Customer Fraud	£3,788,780,580	£12,639,305	£6,188,014	£19,957,113	0.3%	0.2%	0.5%
<b>Total Overpayments 2008</b>	<b>£3,788,780,580</b>	<b>£44,493,701</b>	<b>£35,452,156</b>	<b>£55,890,629</b>	<b>1.2%</b>	<b>0.9%</b>	<b>1.5%</b>

2007	Expenditure	Monetary Value of Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval
Official Error	£3,629,508,500	£23,896,072	£19,439,897	£29,296,782	0.7%	0.5%	0.8%
Customer Error	£3,629,508,500	£11,312,594	£7,579,041	£16,523,942	0.3%	0.2%	0.5%
Customer Fraud	£3,629,508,500	£12,281,166	£6,813,546	£19,291,348	0.3%	0.2%	0.5%
<b>Total Overpayments 2007</b>	<b>£3,629,508,500</b>	<b>£47,489,833</b>	<b>£39,509,119</b>	<b>£57,696,851</b>	<b>1.3%</b>	<b>1.1%</b>	<b>1.6%</b>

The Agency estimates that there was a total amount of approximately £44.5m overpaid through fraud and error in social security benefits for 2008. This represents approximately 1.2% of the total benefit expenditure for 2008, of which £12.6m (0.3%) is Customer Fraud, £13.4m (0.4%) is Customer Error and £18.4m (0.5%) is Official Error.

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

The comparative estimate for 2007 is that there was approximately £47.5m of overpayments through fraud and error in social security benefits. This represents approximately 1.3% of total benefit expenditure for 2007, of which £12.3m (0.3%) is Customer Fraud, £11.3m (0.3%) is Customer Error and £23.9m (0.7%) is Official Error. Thus, while total benefit expenditure has increased from £3,630m in 2007, to £3,789m in 2008, there has still been a reduction in fraud and error overpayments from 1.3% to 1.2% of expenditure for the year.

A detailed breakdown of the total overpayment amount for 2008 of £44.5m is disclosed in the following tables. The tables are produced to depict the individual totals arising from the three main elements of benefit overpayments, i.e. Official Error, Customer Error and Customer Fraud. Figures for the 2007 year are also included for comparative purposes. In addition a table is also included that discloses the estimated amount of underpayments that have arisen from both Official and Customer Error in the 2008 and the 2007 years.

## Official Error

Official Error occurs when benefit awards are miscalculated as a result of an official not applying the benefit specific rules correctly or not taking into account all the circumstances applicable to an individual. The table below sets out the estimate of Official Error in 2008. Estimates of Official Error in 2007 are also shown for comparative purposes.

### Estimates of benefit overpayments due to Official Error in 2008

Benefit	Expenditure	Monetary Value of Official Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Error as a % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	£453,653,974	£4,626,635	£2,105,410	£7,581,697	1.0%	0.5%	1.7%	Jan - Dec 08
Jobseekers Allowance	£86,620,585	£502,603	£170,926	£914,565	0.6%	0.2%	1.1%	Jan - Dec 08
State Pension Credit	£331,230,597	£6,940,639	£4,994,306	£9,153,334	2.1%	1.5%	2.8%	Jan - Dec 08
Disability Living Allowance	£670,083,009	£926,874	£0	£2,195,078	0.1%	0.0%	0.3%	Jan - Dec 08
Incapacity Benefit	£334,012,467	£1,754,248	£370,451	£3,627,519	0.5%	0.1%	1.1%	Jan - Dec 08
Carers Allowance	£90,906,751	£906,558	£279,754	£1,720,837	1.0%	0.3%	1.9%	Jan - Dec 08
Attendance Allowance	£193,003,732	£426,628	£0	£1,097,044	0.2%	0.0%	0.6%	Jan - Dec 08
State Pension	£1,443,982,269	£1,013,788	£399,974	£1,822,660	0.1%	0.0%	0.1%	Jan - Dec 08
Widow's Benefit / Bereavement Benefit	£25,085,190	£86,646	£22,784	£171,761	0.3%	0.1%	0.7%	Jan - Dec 08
Social Fund	£74,874,451	£1,235,249	£601,594	£1,971,775	1.6%	0.8%	2.6%	Jan - Dec 08
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£85,327,556	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,788,780,580</b>	<b>£18,419,867</b>	<b>£14,626,973</b>	<b>£23,027,698</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.6%</b>	

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

Estimates of benefit overpayments due to Official Error in 2007

Benefit	Expenditure	Monetary Value of Official Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Error as a % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	£460,913,000	£4,070,981	£1,857,225	£6,967,946	0.9%	0.4%	1.5%	Jan - Dec 07
Jobseekers Allowance	£76,055,000	£546,798	£261,872	£914,710	0.7%	0.3%	1.2%	Jan - Dec 07
State Pension Credit	£308,901,000	£7,109,390	£5,406,693	£9,029,493	2.3%	1.8%	2.9%	Jan - Dec 07
Disability Living Allowance	£640,981,000	£5,025,846	£2,647,869	£7,808,249	0.8%	0.4%	1.2%	Jan - Dec 07
Incapacity Benefit	£328,251,000	£2,894,001	£841,271	£5,362,621	0.9%	0.3%	1.6%	Jan - Dec 07
Carers Allowance	£85,827,000	£702,096	£239,702	£1,322,212	0.8%	0.3%	1.5%	Jan - Dec 07
Attendance Allowance	£190,826,000	£1,862,265	£747,429	£3,158,590	1.0%	0.4%	1.7%	Jan - Dec 07
State Pension	£1,349,677,000	£55,940	£0	£143,699	0.0%	0.0%	0.0%	Jan - Dec 07
Widow's Benefit / Bereavement Benefit	£26,235,000	£140,005	£7,017	£376,333	0.5%	0.0%	1.4%	Jan - Dec 07
Social Fund	£78,984,000	£1,488,749	£694,732	£2,483,086	1.9%	0.9%	3.1%	Jan - Dec 07
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£82,858,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,629,508,500</b>	<b>£23,896,072</b>	<b>£19,439,897</b>	<b>£29,296,782</b>	<b>0.7%</b>	<b>0.5%</b>	<b>0.8%</b>	

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

## Customer Error

Customer error occurs where there has been a failure by the customer to notify a reportable change that affects the benefit in payment but there is no suspicion of fraud/fraudulent intent. The table below sets out the estimate of Customer Error in 2008. Estimates of Customer Error in 2007 are also shown for comparative purposes.

### Estimates of benefit overpayments due to Customer Error in 2008

Benefit	Expenditure	Monetary Value of Customer Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Error as a % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	£453,653,974	£2,410,781	£771,075	£4,556,235	0.5%	0.2%	1.0%	Jan- Dec 08
Jobseekers Allowance	£86,620,585	£0	£0	£0	0.0%	0.0%	0.0%	Jan – Dec 07 Updated
State Pension Credit	£331,230,597	£5,416,036	£3,451,790	£8,003,101	1.6%	1.0%	2.4%	Jan- Dec 08
Disability Living Allowance	£670,083,009	£0	£0	£0	0.0%	0.0%	0.0%	Jan- Dec 08
Incapacity Benefit	£334,012,467	£2,946,128	£0	£7,991,193	0.9%	0.0%	2.4%	Jan – Dec 07 Updated
Carers Allowance	£90,906,751	£1,455,543	£0	£3,559,192	1.6%	0.0%	3.9%	Jan – Dec 07 Updated
Attendance Allowance	£193,003,732	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State Pension	£1,443,982,269	£1,206,040	£866,008	£3,152,547	0.1%	0.1%	0.2%	Updated DWP 2005
Widow's Benefit / Bereavement Benefit	£25,085,190	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	£74,874,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£85,327,556	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,788,780,580</b>	<b>£13,434,529</b>	<b>£8,360,641</b>	<b>£20,139,958</b>	<b>0.4%</b>	<b>0.2%</b>	<b>0.5%</b>	

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

Estimates of benefit overpayments due to Customer Error in 2007

Benefit	Expenditure	Monetary Value of Customer Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Error as a % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	£460,913,000	£1,500,787	£0	£4,909,875	0.3%	0.0%	1.1%	Jan- Dec 06 updated
Jobseekers Allowance	£76,055,000	£0	£0	£0	0.0%	0.0%	0.0%	Jan – Dec 07
State Pension Credit	£308,901,000	£4,040,437	£2,640,964	£5,689,534	1.3%	0.9%	1.8%	Jan – Dec 07
Disability Living Allowance	£640,981,000	£374,577	£0	£1,915,648	0.1%	0.0%	0.3%	Jan- Dec 06 updated
Incapacity Benefit	£328,251,000	£2,895,310	£914,793	£5,374,330	0.9%	0.3%	1.6%	Jan – Dec 07
Carers Allowance	£85,827,000	£1,374,209	£579,181	£2,367,259	1.6%	0.7%	2.8%	Jan – Dec 07
Attendance Allowance	£190,826,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State Pension	£1,349,677,000	£1,127,274	£809,450	£2,946,657	0.1%	0.1%	0.2%	Updated DWP 2005
Widow's Benefit / Bereavement Benefit	£26,235,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	£78,984,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£82,858,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,629,508,500</b>	<b>£11,312,594</b>	<b>£7,579,041</b>	<b>£16,523,942</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.5%</b>	

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

## Customer Fraud

Customer Fraud occurs where the basic conditions of entitlement have not been met, where the customer could reasonably be expected to be aware of the effect on entitlement to benefit and the customer has deliberately not reported relevant information. The table below sets out the estimate of Customer Fraud in 2008. Estimates of Customer Fraud in 2007 are also shown for comparative purposes.

### Estimates of benefit overpayments due to Customer Fraud in 2008

Benefit	Expenditure	Monetary Value of Customer Fraud	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Fraud as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	£453,653,974	£5,103,659	£2,274,397	£8,805,090	1.1%	0.5%	1.9%	Jan - Dec 08
Jobseekers Allowance	£86,620,585	£1,788,724	£0	£3,915,775	2.1%	0.0%	4.5%	Jan - Dec 07 updated
State Pension Credit	£331,230,597	£1,132,216	£349,632	£2,079,397	0.3%	0.1%	0.6%	Jan - Dec 08
Disability Living Allowance	£670,083,009	£0	£0	£0	0.0%	0.0%	0.0%	Jan - Dec 08
Incapacity Benefit	£334,012,467	£3,114,001	£0	£9,410,437	0.9%	0.0%	2.8%	Jan - Dec 07 updated
Carers Allowance	£90,906,751	£1,282,572	£0	£3,502,457	1.4%	0.0%	3.9%	Jan - Dec 07 updated
Attendance Allowance	£193,003,732	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State Pension	£1,443,982,269	£0	£0	£0	0.0%	0.0%	0.0%	2005 updated DWP
Widow's Benefit / Bereavement Benefit	£25,085,190	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	£74,874,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	£218,133	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£85,327,556	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,788,780,580</b>	<b>£12,639,305</b>	<b>£6,188,014</b>	<b>£19,957,113</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.5%</b>	

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

## Estimates of benefit overpayments due to Customer Fraud in 2007

Benefit	Expenditure	Monetary Value of Customer Fraud	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Fraud as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	£460,913,000	£3,841,828	£0	£8,268,330	0.8%	0.0%	1.8%	Jan- Dec 06 updated
Jobseekers Allowance	£76,055,000	£1,570,543	£746,618	£2,504,345	2.1%	1.0%	3.3%	Jan – Dec 07
State Pension Credit	£308,901,000	£1,061,538	£205,378	£2,353,221	0.3%	0.1%	0.8%	Jan – Dec 07
Disability Living Allowance	£640,981,000	£1,184,483	£0	£5,064,254	0.2%	0.0%	0.8%	Jan- Dec 06 updated
Incapacity Benefit	£328,251,000	£3,060,287	£544,417	£6,154,201	0.9%	0.2%	1.9%	Jan – Dec 07
Carers Allowance	£85,827,000	£1,210,903	£357,957	£2,258,824	1.4%	0.4%	2.6%	Jan – Dec 07
Attendance Allowance	£190,826,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State Pension	£1,349,677,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit / Bereavement Benefit	£26,235,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	£78,984,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	£351,583	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£82,858,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,629,508,500</b>	<b>£12,281,166</b>	<b>£6,813,546</b>	<b>£19,291,348</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.5%</b>	

## B: Strategies to Reduce Fraud and Error

Reducing fraud and error is one of the Agency's top five key priorities, with a robust strategy in place to identify incorrect benefit awards. Activities include specific programme protection checks and case reviews in each of the main benefits to identify and correct error and the investigation of suspected fraud with prosecution of offenders if appropriate. This complements a wide range of checks and controls in place right across the Agency as part of the normal governance procedures.

The Agency will ensure that these strategies and any future measures are considered in the light of value for money having regard to the cost of control, the impact on customers in terms of the accessibility and timeliness of benefit payments and the resulting incremental reduction in fraud and error.

Overall the Agency's benefit security strategy is working, with the levels of fraud and error now at their lowest recorded levels ever. Over the last 5 years the total estimated overpayments have reduced by

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

37% from £70.7 m in 2003-04<sup>2</sup> (2.22% of benefit expenditure) to £44.5 m in 2008 (1.2% of benefit expenditure).

During the 2007-08 financial year the Agency's counter fraud and error activities were subject to review by the Northern Ireland Audit Office and NI Public Accounts Committee. Each of these bodies made recommendations for improvement, and many of these recommendations have been taken forward and implemented throughout the course of the 2008-09 year.

## Fraud Strategy

The Agency has maintained benefit fraud at its lowest level yet of 0.3% of expenditure. This success has been achieved through pro-actively targeting high risk cases, making full use of powers to obtain information and match data, reducing delays and raising awareness of benefit fraud among staff and the public. The impact of the Agency's counter fraud activity continues to be effective with the number of people sanctioned for benefit fraud in 2008-09 rising to 879, up from 655 in 2007-08. In addition, the Agency's Financial Investigation Unit brought about the recovery of over £0.5m of criminally obtained assets, during 2008-09, by way of confiscation orders obtained through the Courts and voluntary payments.

During the 2008-09 financial year the Agency liaised directly with the NI Audit Office (NIAO) on the introduction of the National Fraud Initiative (NFI). The Agency is committed to effective investigation of the issues arising from the ongoing NFI exercises.

The Agency has also continued its counter fraud activity with other external government bodies such as the Department for Work and Pensions (DWP) in GB and it will strive to make further improvements to reduce customer fraud where possible. It is the Agency's opinion however that there is decreasing scope for significant year on year reductions in the levels of fraud due partly to the success achieved by the Agency to date in eliminating fraud, and the nature of the environment in which the Agency operates.

## Error Strategy

During 2008-09, Error Reduction activity led to the adjustment of benefit in a total of 17,200 cases, with a total monetary value of over £41m. Within this total of £41m, £21.8m represented adjustments to payments where customers were entitled to additional benefits. This represents an increase from previous years in the amount of error successfully identified and removed as a result of Error Reduction activity. Targeting cases – whether at risk of official or customer error, whether overpayments or underpayments, is crucial in continuing to maximise the outcomes from the Agency's counter error activity and, similar to the counter fraud approach, a risk model has been developed to help target the highest risk cases.

During 2008-09 the Agency also introduced a dedicated Error Reduction Board (ERB) to oversee and co-ordinate the work ongoing across the Agency which impacts either directly or indirectly on error. The Agency's ERB will supervise and steer the use of additional resources within benefit offices for the purposes of identifying and removing error. These resources are allocated according to risk within each benefit and cases are targeted using risk based selection models to ensure maximum impact from this activity.

It is also intended during 2009-10 that an Agency wide counter error strategy will be produced which will set out the range of activity planned in the coming years to tackle both staff and customer error. Progress with the strategy is to be monitored by the Error Reduction Board. Agency staff will also continue to work closely with colleagues from the Department for Work and Pensions (DWP) in GB, and the Department of Social and Family Affairs in the ROI, to share best practice, test new initiatives and maintain a presence at influential groups such as the DWP Error Reduction Delivery Board and Data Matching Steering Group.

<sup>2</sup> A new methodology for calculating the annual estimates of Fraud and Error was implemented in 2008. Therefore caution should be used when comparing the estimates with previous years.

## Official Error

The latest figures show an overall reduction in losses through official error - down from £24.5m (0.8% of total expenditure) in 2003-04 <sup>[2]</sup> to £18.4m in 2008, a decrease of £6.1m. Current levels of official error overpayments now represent 0.5% of total benefit expenditure a reduction therefore in real terms of 38%. This is despite the ongoing issues facing the Agency in administering social security benefits within a complex legislative and regulatory framework and with outmoded IT systems. (Both these issues have been recognised by both the Northern Ireland Audit Office and NI Public Accounts Committee). In order to address these difficulties, significant benefit simplification and major investment in the benefit IT systems would be required and these are not matters solely within the Agency's remit to progress.

Despite these difficulties, the Agency remains committed to doing all it can to reduce staff error and has in place a wide range of control mechanisms built into its system of benefit administration to ensure high levels of financial accuracy. These include extensive training and consolidation, the application of benchmark standards for staff, and a programme of regular checks and controls to prevent potential incorrectness and measure and report on Agency performance within this area.

## Customer Error

For 2008 the estimated amount of Customer Error overpayment amounted to £13.4m, 0.4% of total expenditure. For 2007 estimated overpayments were £11.3m, 0.3% of total expenditure.

The Agency recognises that benefit complexity is a problem not just for staff but also for customers and, in helping to prevent error, customers need to understand what to report and when. However in order to deliver major reductions in the levels of both staff and customer error, significant effort will be required to, drive forward the necessary benefit simplification and address the existing complexities and enhance the IT systems that deliver the service.

Nonetheless, the Agency has various initiatives in place to tackle customer error. This includes the explanation of benefit rules more clearly in Agency literature, and encouraging staff to explain clearly the information that is required when queries are received. In addition, major exercises targeting Customer Error are carried out across the benefit system. These include exercises such as a programme of case cleansing within State Pension Credit, and reviewing those Disability Living Allowance cases with a higher likelihood of a change in circumstances.

Overall the Agency has successfully delivered reductions in fraud and error and is committed to maintaining this activity and further improvements in its service to the customer.

## C: Underpayments

### Total Benefit Underpayments

The table below shows the total estimates of benefit underpayments for the last two years, 2008 and 2007.

Comparisons between the two years show that the Agency's performance continues to improve and the total estimated amounts for underpayments arising from benefit error are reducing.

### Estimates of total benefit underpayments for 2008 and 2007

2008	Expenditure	Monetary Value of Error	Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval
Official Error	£3,788,780,580	£17,231,871	£13,665,770	£21,607,923	0.5%	0.4%	0.6%
Customer Error	£3,788,780,580	£2,505,326	£1,257,704	£4,119,045	0.1%	0.0%	0.1%
<b>Total Underpayments 2008</b>	<b>£3,788,780,580</b>	<b>£19,737,197</b>	<b>£15,959,151</b>	<b>£24,401,307</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.6%</b>

2007	Expenditure	Monetary Value of Error	Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval
Official Error	£3,629,508,500	£23,553,240	£19,169,876	£28,765,666	0.6%	0.5%	0.8%
Customer Error	£3,629,508,500	£2,544,579	£943,007	£4,683,599	0.1%	0.0%	0.1%
<b>Total Underpayments 2007</b>	<b>£3,629,508,500</b>	<b>£26,097,819</b>	<b>£21,431,030</b>	<b>£31,732,070</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.9%</b>

The Agency's estimates of the level of underpayments arising for 2008 total £19.7m (0.5% of benefit expenditure). This has reduced from £26.1m (0.7% of expenditure) in 2007. The Agency also monitors and estimates the level of underpayments arising from Official and Customer Error. Identifying those cases not receiving their full entitlement and correcting benefit payments is an integral part of the Agency's strategy which gives equal priority to identifying and correcting underpayments and overpayments.

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

The table below sets out the estimate of underpayments due to Official Error in 2008. Estimates for 2007 are also shown for comparative purposes.

### Estimates of benefit underpayments due to Official Error in 2008

Benefit	Expenditure	Monetary Value of Official Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	£453,653,974	£2,448,959	£1,252,886	£3,837,395	0.5%	0.3%	0.8%	Jan - Dec 08
Jobseekers Allowance	£86,620,585	£40,835	£0	£121,250	0.0%	0.0%	0.1%	Jan - Dec 08
State Pension Credit	£331,230,597	£8,671,121	£6,199,929	£11,321,353	2.6%	1.9%	3.4%	Jan - Dec 08
Disability Living Allowance	£670,083,009	£1,033,293	£0	£2,418,403	0.2%	0.0%	0.4%	Jan - Dec 08
Incapacity Benefit	£334,012,467	£1,411,930	£367,563	£2,919,423	0.4%	0.1%	0.9%	Jan - Dec 08
Carers Allowance	£90,906,751	£18,190	£0	£49,142	0.0%	0.0%	0.1%	Jan - Dec 08
Attendance Allowance	£193,003,732	£0	£0	£0	0.0%	0.0%	0.0%	Jan - Dec 08
State Pension	£1,443,982,269	£2,329,172	£748,417	£4,619,193	0.2%	0.1%	0.3%	Jan - Dec 08
Widow's Benefit / Bereavement Benefit	£25,085,190	£12,839	£1,423	£28,538	0.1%	0.0%	0.1%	Jan - Dec 08
Social Fund	£74,874,451	£1,265,532	£544,155	£2,134,678	1.7%	0.7%	2.9%	Jan - Dec 08
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£85,327,556	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,788,780,580</b>	<b>£17,231,871</b>	<b>£13,665,770</b>	<b>£21,607,923</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.6%</b>	

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

## Estimates of benefit underpayments due to Official Error in 2007

Benefit	Expenditure	Monetary Value of Official Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	£460,913,000	£2,340,027	£1,266,070	£3,584,006	0.5%	0.3%	0.8%	Jan - Dec 07
Jobseekers Allowance	£76,055,000	£194,018	£20,578	£453,341	0.3%	0.0%	0.6%	Jan - Dec 07
State Pension Credit	£308,901,000	£11,042,278	£8,513,863	£13,801,178	3.6%	2.8%	4.5%	Jan - Dec 07
Disability Living Allowance	£640,981,000	£2,801,803	£1,323,481	£4,768,638	0.4%	0.2%	0.7%	Jan - Dec 07
Incapacity Benefit	£328,251,000	£893,710	£104,635	£2,004,030	0.3%	0.0%	0.6%	Jan - Dec 07
Carers Allowance	£85,827,000	£323,563	£28,036	£809,858	0.4%	0.0%	0.9%	Jan - Dec 07
Attendance Allowance	£190,826,000	£438,691	£0	£1,216,722	0.2%	0.0%	0.6%	Jan - Dec 07
State Pension	£1,349,677,000	£4,940,581	£2,031,543	£8,381,431	0.4%	0.2%	0.6%	Jan - Dec 07
Widow's Benefit / Bereavement Benefit	£26,235,000	£203,050	£53,820	£435,738	0.8%	0.2%	1.7%	Jan - Dec 07
Social Fund	£78,984,000	£375,518	£120,762	£701,810	0.5%	0.2%	0.9%	Jan - Dec 07
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£82,858,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,629,508,500</b>	<b>£23,553,240</b>	<b>£19,169,876</b>	<b>£28,765,666</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.8%</b>	

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

The table below sets out the estimate of benefit underpayments due to Customer Error in 2008. Estimates of underpayments for Customer Error in 2007 are also shown for comparative purposes.

### Estimates of benefit underpayments due to Customer Error in 2008

Benefit	Expenditure	Monetary Value of Customer Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	£453,653,974	£732,432	£0	£1,651,296	0.2%	0.0%	0.4%	Jan - Dec 08
Jobseekers Allowance	£86,620,585	£198,960	£0	£780,633	0.2%	0.0%	0.9%	Jan - Dec 07 Updated
State Pension Credit	£331,230,597	£1,573,934	£645,622	£2,766,173	0.5%	0.2%	0.8%	Jan - Dec 08
Disability Living Allowance	£670,083,009	£0	£0	£0	0.0%	0.0%	0.0%	Jan- Dec 08
Incapacity Benefit	£334,012,467	£0	£0	£0	0.0%	0.0%	0.0%	Jan - Dec 07 Updated
Carers Allowance	£90,906,751	£0	£0	£0	0.0%	0.0%	0.0%	Jan - Dec 07 Updated
Attendance Allowance	£193,003,732	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State Pension	£1,443,982,269	£0	£0	£0	0.0%	0.0%	0.0%	N/A
Widow's Benefit / Bereavement Benefit	£25,085,190	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	£74,874,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£85,327,556	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,788,780,580</b>	<b>£2,505,326</b>	<b>£1,257,704</b>	<b>£4,119,045</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.1%</b>	

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

### Estimates of benefit underpayments due to Customer Error in 2007

Benefit	Expenditure	Monetary Value of Customer Error	<sup>1</sup> Lower Confidence Interval £	<sup>1</sup> Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	<sup>1</sup> Lower Confidence Interval	<sup>1</sup> Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	£460,913,000	£632,494	£0	£2,410,572	0.1%	0.0%	0.5%	Jan- Dec 06 updated
Jobseekers Allowance	£76,055,000	£174,691	£0	£430,053	0.2%	0.0%	0.6%	Jan – Dec 07
State Pension Credit	£308,901,000	£1,737,394	£770,790	£2,898,702	0.6%	0.2%	0.9%	Jan – Dec 07
Disability Living Allowance	£640,981,000	£0	£0	£0	0.0%	0.0%	0.0%	Jan- Dec 06 updated
Incapacity Benefit	£328,251,000	£0	£0	£0	0.0%	0.0%	0.0%	Jan – Dec 07
Carers Allowance	£85,827,000	£0	£0	£0	0.0%	0.0%	0.0%	Jan – Dec 07
Attendance Allowance	£190,826,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State Pension	£1,349,677,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit / Bereavement Benefit	£26,235,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	£78,984,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	£82,858,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>£3,629,508,500</b>	<b>£2,544,579</b>	<b>£943,007</b>	<b>£4,683,599</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.1%</b>	

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

The Agency gives equal attention and priority to identifying and correcting both overpayments and underpayments. Indeed identifying those cases not receiving their full entitlement and correcting the benefit payment is an integral part of the Agency's Error Reduction activities. Of the 17,200 errors identified and corrected during 2008-09, almost 9,000 of those cases represented an increase in benefit award to a total value of £21.8m, helping in particularly the elderly and disabled.

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

## **D: Disability Living Allowance (DLA) - 'Change in Customers' Circumstances' cases**

The 2006 DLA Benefit Review identified cases where the change in customers' needs had been so gradual that it would have been unreasonable to expect the customer to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as the Agency cannot quantify or define when the customer's change occurred. Under the specific terms of benefit legislation (to establish a recoverable overpayment) it is necessary for the Agency to prove that entitlement to DLA is incorrect. Cases in this sub-category are therefore technically and legally correct but are reassessed after review activity. (For further clarification on this issue see regulation 7(2) (c)(ii) of the Social Security and Child Support Agency (Decision and Appeals) Regulations (Northern Ireland) 1992 (S.R. 1992 No. 162); regulation 7(2)(c)(ii) was substituted by regulation 2(5) of S.R. 1999 No. 267).

The difference between what claimants in these 'change in customers' circumstances' cases are receiving in excess of DLA entitlement and what they would potentially receive if their benefit was reassessed is estimated to be around £38.0m, 5.7% of DLA expenditure in 2008. Since there was no DLA Benefit Review in 2007, the 2007 estimate for DLA 'change in customer' circumstances' overpayments is estimated by applying the 2006 percentage. In comparison the 2007 estimate is £22.2m, 3.5% of expenditure. These figures are not included in the total figures in the respective tables above.

The difference between what claimants in the DLA 'change in customers' circumstances' cases are receiving below their DLA entitlement and what they would potentially have been due to receive if their benefit was reassessed was estimated to be £19.4m, 2.9% of expenditure. Since there was no DLA Benefit Review in 2007, the 2007 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2006 percentage. In comparison the 2007 estimate is £47.1m, 7.4% of expenditure. These figures are not included in the total figures in the respective tables above.



# Report by the Comptroller and Auditor General for Northern Ireland





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# Report by the Comptroller and Auditor General

## Introduction

1. The Social Security Agency (the Agency) is an Executive Agency within the Department for Social Development (DSD). In 2008-09 the Agency accounted for £3.88 billion in benefits which includes £1.91 billion on non-contributory social security benefits, £1.88 billion on contributory social security benefits and £87.3 million on social fund benefit expenditure.
2. This report reviews the results of my audit of the benefit expenditure and sets out the reason for my qualified audit opinion. My audit of this expenditure examined the work undertaken by the Agency to establish the estimated level of fraud and error within the benefit system. I also provide an update on the issues I reported on last year.
3. For a considerable number of years I have qualified my audit opinion because of significant levels of fraud and error in benefit expenditure. I published a detailed report<sup>1</sup> on Social Security Benefit Fraud and Error on 23 January 2008 which was considered by the Northern Ireland Public Accounts Committee (the Committee) who subsequently published a report<sup>2</sup> on Social Security Benefit Fraud and Error. The Committee acknowledged that while the vast majority of benefits are correctly paid to customers the levels of inaccuracy remained disappointingly high, despite improvements made by the Agency in tackling fraud and error. The Committee was particularly concerned about the level of error (official error) by Agency staff leading to overpayments and underpayments of benefit, although its members recognised that the complexity of the benefit system, and the limitations of the IT system contribute to the high levels of official error.

## Agency arrangements for monitoring and reporting

4. The Agency continues to regularly monitor and measure the estimated levels of fraud and error within the benefit system. Essentially this involves two main exercises, Financial Accuracy monitoring and Benefit Reviews, the results of which are combined to establish the total estimated level of irregular payments due to fraud and error within the benefit system resulting in overpayments and underpayments.
5. Financial Accuracy monitoring provides a measure of internal Agency error (Official Error), while Benefit Reviews provide a measure of customer fraud and customer error. The Agency examines statistical samples of benefit awards on a continuous basis for the purposes of Financial Accuracy monitoring and on a rolling programme basis for the purposes of Benefit Reviews. A common sample is used for both exercises.
6. Financial accuracy testing involves examination of customer case papers to ascertain if the customer is receiving the correct amount of benefit according to their present circumstances. The measurement of customer fraud and error through the Benefit Review exercises involves a thorough review of the person's entitlement to, and the level of, benefit in payment to establish if it is correct or incorrect by means of a visit to, and detailed interview with, the customer. If

<sup>1</sup> NIA 73/07-08 Social Security Benefit Fraud and Error

<sup>2</sup> 26/07/08R Public Accounts Committee

incorrectness due to overpayments and underpayments is detected this is reported as either customer fraud or customer error based on criteria laid down in the Benefit Review Guide as to whether it is due to a deliberate attempt to deceive the Agency or an unintentional error by the customer.

7. The Agency presents the results of these exercises in Note 26 (entitled 'Payment Accuracy') to the annual accounts. This note also explains the extent of statistical uncertainty inherent within the estimates of fraud and error. The estimate of fraud and error disclosed in the accounts is, nevertheless, the best measure available.
8. As part of our audit work in this area my staff examined and reperformed a sub-sample of the Agency's case work during the year for both the Financial Accuracy and Benefit Review exercises. My staff also reviewed the methodologies applied by the Agency in carrying out these exercises. I can report that I am content that the work undertaken continues to be of a good standard and the results produced by the Unit are reliable and complete.

### Qualified opinion due to irregular benefit payments

9. I am required to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.
10. Note 26, referred to in paragraph 7 above discloses the best estimate of all such irregular payments. As shown in note 26, some £1.44 billion (38 per cent) of total benefit expenditure relates to State Pension payments made in 2008. The Agency estimates that in 2008 fraud and error within State Pension payments resulted in overpayments of £2.2 million (0.15 per cent of related expenditure) and underpayments of £2.3 million (0.16 per cent of related expenditure). The Agency also estimates that for other benefits, fraud and error gave rise to overpayments of £42.3 million (1.8 per cent of relevant expenditure) and underpayments of £17.4 million (0.7 per cent of relevant expenditure).
11. I have therefore qualified my opinion on the regularity of benefit expenditure other than State Pension because of the level of overpayments attributable to fraud and error which do not conform to the intention of the Northern Ireland Assembly; and because of the level of under and over payments in such benefit expenditure which are not in conformity with the relevant authorities.

### Estimated levels of fraud and error

12. The Agency estimates that in 2008 losses of £44.5 million have arisen through overpayment of benefits to claimants, representing 1.2 per cent of total benefit expenditure. Figure 1 shows the value and percentage of estimated overpayments over the last five years.
13. The Agency has introduced a number of improvements to its measurement processes over these years. New methodologies have most recently been introduced in 2008. The figures for 2007 have been re-calculated using the new methodologies to enable a consistent comparison to be made. Figures prior to 2007 have not been re-calculated as it was not practical or cost-effective to do so and are therefore not directly comparable to 2007 and 2008. However the Agency is of the opinion, based on the recalculation of the 2007 total estimated fraud and error figures, that changes arising from the new methodology in relation to previous years' figures would be minimal. Notwithstanding these differences there is a general trend of overall reduction in overpayments due to fraud and error year on year, both in the value of fraud and error reported and also in the percentage of total benefit expenditure that the value of fraud and error

represents. The decrease in overpayments is mostly attributable to a continual reduction each year in the level of both customer fraud and official error.

14. Within total benefit expenditure of £3.79 billion in 2008, State Pension accounts for £1.44 billion (38.1%). Excluding State Pension the level of error in estimated overpayments reported by the Agency this year is 1.8 per cent (£42.3 million).

**Figure 1: Estimated Overpayments due to fraud and error in benefit expenditure**

	2008* £million	2007* £million	2006 £million	2005 £million	2004-05 £million
<b>Overpayments</b>					
Official error	18.4	23.9	27.9	23.4	33.8
Customer error	13.4	11.3	14.0	14.2	12.6
Customer fraud	12.6	12.3	18.1	28.6	28.8
<b>Total</b>	<b>44.4</b>	<b>47.5</b>	<b>60.0</b>	<b>66.2</b>	<b>75.2</b>
<b>% of benefit expenditure</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>2.3%</b>

**Figure 2: Estimated underpayments due to error**

	2008* £million	2007* £million	2006 £million	2005 £million	2004-05 £million
<b>Underpayments</b>					
Official error	17.2	23.5	19.0	19.1	8.2
Customer error	2.5	2.6	2.7	3.3	2.8
<b>Total</b>	<b>19.7</b>	<b>26.1</b>	<b>21.7</b>	<b>22.4</b>	<b>11.0</b>
<b>% of benefit expenditure</b>	<b>0.5%</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>0.3%</b>

Footnotes:

- As indicated in Note 26 to the accounts the estimates in both tables are quoted to the nearest £0.1m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty.
- From 2005 onwards estimates for fraud and error have been reported on the calendar year basis rather than the financial year.
- Figures in the above tables contain individual parts that have been rounded to the nearest £0.1 million for presentational purposes only.
- \* State Pension has been included for comparative purposes only. In 2007 and 2008 the audit opinion has not been qualified in respect of fraud and error relating to this benefit.

15. The Agency also estimates that underpayments of benefits in 2008 amount to £19.7 million or 0.5 per cent of total benefit expenditure. Figure 2 gives a more detailed analysis of estimated underpayments and the impact of the changes in measurement processes referred to in paragraph 13 applies to these figures also. In contrast to the overall reduction in overpayments, there has been a general increase in underpayments due to error over the last five years from £11.0 million (0.3% of total benefit expenditure) in 2004-05 to £19.7 million (0.5 % of total

benefit expenditure) in 2008. However there has been a reduction in estimated underpayments in 2008 as compared to the previous year.

16. Errors in benefit awards can arise because of internal Agency error (official error), customer error or customer fraud. Figures 1 and 2 show the estimated levels of overpayments and underpayments due to each of these. Estimated customer error levels have not changed significantly over the period, perhaps indicative of the lower level of control that the Agency has over this. However there has been progress since 2004-05 in reducing the estimated levels of customer fraud.
17. Estimated official error levels have varied over the five year period but there has been a general overall reduction from 2004-05 to 2008. I continue to highlight this category of error as it is my view that this is the area where the Agency continues to have the most control. The total estimated levels of official error reported by the Agency's financial accuracy exercise for 2008 are £18.4 million of overpayments and £17.2m of underpayments. This represents an average accuracy rate of 99.06% and is a further improvement from last year. The Agency set financial accuracy targets for the 6 major benefits and targets were achieved for four with a further one achieving the target within the statistical levels of tolerance set.
18. The total estimated monetary value of losses due to official error for all benefits except for Income Support, Carer's Allowance, and State Pension has decreased when compared to last year. The total estimated monetary value for underpayments due to official error for all benefits, except for Income Support, Incapacity Benefit and Social Fund payments, has also decreased when compared to 2007. I particularly welcome the significant reduction in losses due to official error for Disability Living Allowance (DLA) from £5.0 million in 2007 to £0.9 million in 2008 and the corresponding reduction in official error underpayments from £2.8 million in 2007 to £1.0 million in 2008, and the 1% increase in financial accuracy rates. This is a complex benefit to administer and the Agency has done well to reduce official error rates.
19. Performance across different benefits varies significantly. The benefits system is complex and some benefits are easier to administer than others. Note 26 of the Agency's annual accounts shows that levels of fraud and error are lowest for those contributory benefits, such as State Pension, which are easier to claim, relatively easy to determine and largely unaffected by changes in circumstances. Fraud and error is more frequent on means tested benefits, where a claimant's financial circumstances are required to be taken into account.
20. State Pension Credit is a means tested benefit introduced in 2003. I have been concerned about the significant levels of estimated fraud and error reported by the Agency for this benefit. The estimated level of overpayments due to fraud and error in State Pension Credit for 2008 remains high at £13.5 million and this represents 4.0 per cent of related benefit expenditure, an increase from £12.2 million, 4.0 per cent of related benefit expenditure, in 2007. The estimated levels of customer fraud in this benefit are proportionally low (£1.1 million, 0.3 % of benefit expenditure) and this is likely to be attributable to the apparent lower propensity to commit fraud in certain age groups. It is the level of error, both customer and official, that is a matter of concern, £5.4 million (1.6% of benefit expenditure) of estimated overpayments in State Pension Credit is due to customer error but the majority of overpayments (£6.9 million, 2.1% of benefit expenditure) is because of official error. This situation is also evident in relation to State Pension Credit underpayments with £1.6 million (0.5 per cent of benefit expenditure) due to customer error and the majority of underpayments, £8.7 million (2.6 per cent of expenditure) due to official error.
21. Last year the Agency advised me that it had developed a specific State Pension Credit Accuracy Improvement Plan for 2008-09 to co-ordinate activities that will impact directly on accuracy levels for this benefit. Following this financial accuracy levels have improved from 94.3% in 2007 to 95.3% in 2008 suggesting that these activities may have had some impact. Despite this the Agency has again failed to achieve its financial accuracy target for this benefit.

22. I recommend the Agency continues to improve financial accuracy performance for this benefit.
23. In general, I acknowledge the considerable effort and resources that the Agency has put into reducing the incidence of fraud and error. The Agency currently has a number of ongoing programmes in place aimed at counteracting the levels of benefit fraud and error.

### Changes in Circumstances

24. Note 26 of the Agency's annual accounts highlights a specific category of DLA cases where, as a result of a review of entitlement, the benefit allowance is adjusted because the customers' condition has gradually improved or deteriorated to an extent that it now impacts on their care and/or mobility needs resulting in a change in the DLA award. These cases are categorised as 'benefit correct, change in circumstances'. It is not possible within the legal rules governing the benefit to establish with any certainty a retrospective date from which to adjust the benefit because the change has occurred gradually. In these circumstances the legislation governing the administration of DLA determines there are no overpayments or underpayments and the benefit is adjusted from the date of the review. Therefore these cases are omitted from the estimated overpayments and underpayments reported by the Agency.
25. For 2008 the Agency estimates that what customers are receiving in excess of DLA entitlement for this specific category of 'benefit correct, change in customers' circumstances' cases totalled £38 million (2007: £22.2 million) and what customers are receiving below their DLA entitlement totalled £19.4 million (2007: £47.1 million). Results from the DLA benefit review performed in 2008 show that almost one in five (18.2%) cases reviewed contained a change in customer circumstances, a reduction from the 22.3 per cent of cases reported in the previous DLA Benefit Review in 2006 where changes in customer circumstances were detected. I acknowledge that these cases are legally and procedurally correct. However identifying when customers' circumstances change at the earliest opportunity is important for both the Agency and the customer and I therefore encourage the Agency to continue to look for ways to further reduce the incidence of change in circumstances cases. I asked the Agency what was being done to manage this. The Agency told me that it will continue to robustly apply its DLA intervention strategy which is designed to identify and review those cases where a change in the customer's circumstances is thought most likely to occur necessitating an adjustment in the rate of benefit. This risk based approach analyses results in conjunction with Statistics and Consultancy Branch on an ongoing basis to update the criteria used to identify the high risk DLA cases for review in order to optimise intervention outcomes.

## Recent developments

### Economic downturn

26. The recent downturn in the economy has had a significant impact on the work of the Agency. Unemployment benefit registers have grown. New Jobseekers Allowance (JSA) claims for December 2008 were 130% higher than the same month in the previous year. I acknowledge that the Agency is working hard to manage the increased workload. On 26 January 2009 the Minister announced plans to recruit an additional 150 new staff to the Agency's Job Seekers Allowance frontline. The Agency has told us that it undertook a range of proactive measures including reprioritising resources to assist with JSA claims processing, and the use of full time working for part time staff and additional overtime with staff agreement where available.

## Employment and Support Allowance

27. In June 2007 the Welfare Reform Act (NI) was passed by the NI Assembly. This Act introduced a new work-focused benefit for those who are out of work due to illness or disability. The new Employment and Support Allowance (ESA) replaces Incapacity Benefit and Income Support on the grounds of incapacity, for new claims. Since its introduction in October 2008 the Agency has paid out £4.6 million in ESA claims. It is anticipated that formal targets may be introduced in 2010-11 for this benefit.

## Benefit Security Review

28. During 2008 a comprehensive review of the work of Benefit Security was performed with a view to exploring the opportunity for delivering improved outcomes. A review team was established and terms of reference approved by the Agency Management Board (AMB). The approach of the team included benchmarking with similar organisations, extensive consultations with internal stakeholders and preliminary discussion with Agency Trade Union Side. The Steering Group approved a draft report which was presented to AMB on 2 December 2008.
29. The report identifies areas for improvement and makes recommendation for action in several areas including fraud prevention, fraud detection, customer error, official error and measurement of performance.
30. I asked the Agency when the formal consultation on this report will be completed and what the timetable for implementation of the recommendations is and the Agency confirmed that consultation with staff and Trade Unions has now taken place and an implementation plan is being developed. The report contains 31 recommendations and, while some are more detailed than others and timescales will therefore vary, it is intended that the majority of the report's recommendations will be implemented during 2009-10.

## Close working with GB

31. The Agency is closely aligned with the GB Department for Work and Pensions (DWP) on its counter fraud activity and is fully involved with DWP colleagues in contributing to the development of policies and initiatives which build on successes in tackling fraud. However a recent review by the Agency identified the scope for closer working with DWP and the need for a more integrated approach to counteracting error to be adopted. The Agency's Error Reduction Division (ERD) has further developed regular communication and sharing with the DWP fraud and error team and is now represented on DWP's Error Reduction Board.
32. The Agency has extended ERDs remit to mirror DWP's Fraud and Error Strategy Division and an Agency Error Reduction Board has been established. The initial aim of the Error Reduction Board is to ensure that ongoing error reduction initiatives are developed and integrated into a published Error Reduction strategy. It is envisaged that these developments will contribute to the achievement of financial accuracy targets and the reduction of losses arising as a result of fraud and error.
33. I welcome these developments and will monitor the impact on future performance.

## Conclusion

34. The Agency has continued to address the matters which give rise to the longstanding qualification of my opinion and I welcome the efforts being made by the Agency to further improve the accuracy of benefit payments. Total levels of fraud and error have continued to decrease and in the past five years estimated levels of overpayments as a percentage of benefit expenditure have almost halved. I acknowledge that, having made significant progress in recent

years, it is increasingly more difficult for the Agency to make further significant improvements. The Agency has had particular challenges to overcome this year including efficiencies as a result of the 2008-2011 budget settlement, the ongoing delivery of its modernisation programme and the impact of the economic downturn and I am therefore encouraged to note that there has been a further improvement in overall performance. The Agency has reported success in reducing the amount of official error over and under payments due to fraud and error from £23.9 million, and £23.5 million respectively in 2007, to £18.4 million overpayments and £17.2 million underpayments in 2008 (as shown in Figures 1 and 2).

35. Alongside this, I recognise the difficulties faced by the Agency with regard to the complexity of many of the benefits, the limitations with the IT systems and the resourcing pressures arising as a result of the current economic downturn. I continue to support the various initiatives that aim to lower the levels of fraud and error in benefit expenditure and I encourage the Agency to continue with the positive action.
36. I consider that the estimated levels of fraud and error reported are material and I have qualified my regularity opinion on the accounts.



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**Comptroller and Auditor General**  
**30 June 2009**

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