

# Social Security Agency Annual Report & Accounts 2005-2006





Social Security Agency  
Annual Report and Accounts  
For the year ended 31 March 2006

Laid before the Houses of Parliament by  
the Department for Social Development in accordance  
with Paragraph 12(2) and (4) of the Schedule to the  
Northern Ireland Act 2000 and Paragraph 36 of the  
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18 July 2006

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# Chief Executive's Report

The past year was the first of the Budget 2004 spending period during which the Agency must reduce its staffing (in Northern Ireland operations) by 674 posts – one seventh.

However, we were determined to protect our benefit delivery services and have targeted these reductions on all support and non-vital activities. We agreed with our Minister to concentrate our resources on five key priorities – delivering better customer services, promoting benefit take-up, reducing fraud and error, debt recovery and modernisation – and we set targets for customer services which, despite resource pressures, were higher than in previous years. This was not without risk but we believed we must continue to strive for improvement.

I am pleased, therefore, to report that:

- we have improved or maintained performance, over the previous year, in every customer service target area;
- in every customer service target area there is an underlying trend of improvement;
- work is up to date across the Agency with no significant backlogs;
- we are on track with all key initiatives such as the benefit take-up programme, modernisation and debt management; and
- we have achieved our staff reduction targets.

This reflects well on the Agency's managers and staff and I am grateful to them and also to trade union colleagues for their constructive engagement.

In the year ahead we are determined to maintain the progress we have made and to continue to strive for improvement, particularly in reducing losses through fraud and error. As Parliament has recognised, significant improvement on this will not be possible without substantial simplification of the complex benefits system and replacement of the ageing benefit processing IT systems. But we must continue to do what is within our power.



Gerry Keenan  
Chief Executive

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# 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).

These accounts are presented to comply with a direction issued by the Department of Finance and Personnel (DFP) in accordance with section 11(2) 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 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) in Great Britain.

The Agency delivers its services to:

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

Annex 1 provides more detail.

## Our Organisation

The Agency is managed by a six-member Board, employs over 5000 staff and provides services through a network of 35 Jobs & Benefits / Social Security Offices and three community benefit offices. We also have centralised benefit offices and Castle Court Benefit Shop in Belfast City Centre, two pension centres in Windsor House Belfast and Carlisle House Londonderry, as well as a number of support branches. The Belfast Benefit Centre provides services for the DWP in Great Britain. In addition, the Paid Order Unit at Lisahally provided services for DWP until it ceased operations on 31st March 2006. We work under the terms of a framework document, which sets out our relationship with the Department and with the Minister. Members of the Agency Management Board during the year were:

Chief Executive	Gerry Keenan
Director of Operations	Bryan Davis
Director of Finance and Planning	Heather Cousins
Director of Human Resources	Grace Nesbitt
Director of Business Development (from May 05)	Colum Boyle
Director of Medical Services	Dr Terry Dixon
Acting Director of Business Development (from March to May 05)	John O'Neill

## 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.

## 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 and in notes 1.14 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 58 to 59. The notional audit cost is shown in Note 4.4 to the accounts.

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.

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# Management Commentary

## Part 2

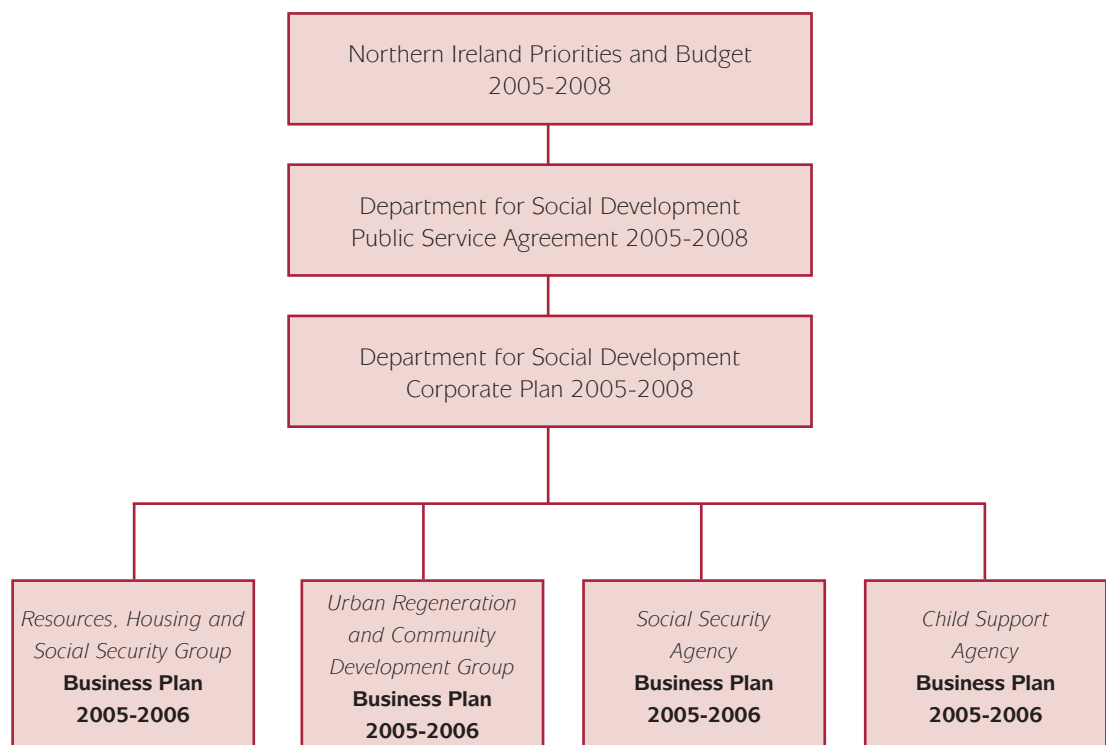


# Management Commentary

## Performance against Key Targets

The Agency's Business Plan for 2005-2006 produced at the beginning of this year has its origins in the Department for Social Development's Corporate Plan. This plan set out the key aims and objectives for the Department in the coming year and took account of the Government's Priorities and Budget 2005-2008 which outlines the key strategic priority outcomes agreed by Ministers. Each department takes forward planned outcomes for the citizen in the form of Public Service Agreements (PSAs).

The diagram below illustrates the planning context and shows the linkages between the Priorities and Budget document, the PSA for 2005-2008, the Departmental Corporate Plan and the lower level plans of the Department's Groups and Agencies.



## Performance against Public Service Agreement (PSA)

As part of the PSA, the Agency contributes to the following Departmental Strategic Objective:

To provide a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save.

This focuses on helping to reduce poverty and disadvantage among vulnerable people. To help the Agency achieve the PSA objective a number of milestones and a series of targets were set. A review of the Agency's performance in 2005-2006 against its PSA milestones and targets is set out in the following tables:

PSA Milestone 2005-2008	Target Area 2005-2006	Target Figure	Result	Final Status
<b>PSA 1.2 Operational Performance</b>  Improve the delivery of the Agency's services during 2005-2008 by meeting published annual targets for each major business area, addressing accuracy, value for money and customer service.	<b>Fraud &amp; Error</b>			
	By March 2006 reduce the loss from fraud and error by 5% in our four main benefits:			
	Income Support	4.35%	3.8% as at 30th September 05	On track for Achievement
	Jobseeker's Allowance	7.65%	4.8% as at 30th September 05	On track for Achievement
	Incapacity Benefit	1.95%	4.8% last reported result 04-05	Not Achieved
	Disability Living Allowance	7.42%	9.5% last reported result 03-04	Not Achieved
	<b>Overpayment Recovery</b>			
	By March 2006 to have made an overpayment recovery of £5 million	5 m	£7.6 million recovered as at 31March 06	Achieved
	<b>Financial Accuracy <sup>1</sup></b>			
	By March 2006 achieve overall financial accuracy of total expenditure on our main benefits as follows:			
	Income Support	99%	97.7% as at 31December 05	Likely to be achieved with some delay
	Jobseeker's Allowance	99%	99.2% as at 31December 05	Achieved
	Incapacity Benefit	99%	98.8% as at 31December 05	Achieved
	Retirement Pension	99%	99.2% as at 31December 05	Achieved
	Pension Credit	96%	96.2% as at 31December 05	Achieved
	Disability Living Allowance	96%	93.5% as at 31December 05	Likely to be achieved with some delay
	<b>Clearance Times</b>			
	By March 2006 achieve actual clearance time targets for our main benefits as follows:			
	Income Support	12 days	9 days as at 31March 06	Achieved
	Jobseeker's Allowance	12 days	11 days as at 31March 06	Achieved
	Pension Credit	12 days	14 days as at 31March 06	Not Achieved
	Disability Living Allowance (Special Rules)	12 days	8.5 days as at 31March 06	Achieved
	Retirement Pension	20 days	14 days as at 31March 06	Achieved
Incapacity Benefit	25 days	25 days as at 31March 06	Achieved	
Disability Living Allowance	55 days	52 days as at 31March 06	Achieved	
<sup>1</sup> Financial Accuracy Targets had a tolerance of +/- 1%-2% to allow for statistical imprecision.				

PSA Milestone 2005-2008	Target 2005-2006	Result	Final Status
<b>PSA 1.3 Modernisation and Efficiency</b>  By 2008, modernise welfare services by delivering major government Welfare Reform priorities, modernising and improving the efficiency of our internal systems and making services more accessible, joined up and integrated.	<b>Modernisation</b>		
	By March 2006 customers will have access to e-enabled forms for the major benefits.	Department for Work & Pensions led project successfully completed & Agency Implementation due in May 2006	To be achieved in May 2006
	<b>Efficiency</b>		
	By March 2006 we will identify business processes which can be delivered in a more efficient way.		Achieved
<b>PSA 1.4 – Anti-Poverty</b>  By 2008, to contribute to combating poverty by supporting people to move from welfare to work, and by increasing benefit uptake through targeting vulnerable customer groups.	<b>Direct Payment</b>		
	By March 2006, 95% of social security clients will have their payments paid directly into their accounts.		Achieved
	<b>Benefit Uptake</b>		
	By March 2006 we will promote benefit take-up to selected customer groups.	Final results available August 2006	On track for achievement

### Performance against Additional Chief Executive Targets

Additional Targets 2005-2006	Final Status
<b>Internal Control</b> We will ensure controls are in place throughout the year to provide the appropriate level of governance and control.	Achieved – Continues into next financial year
<b>Efficiency</b> We will monitor and report progress on the efficiency strategy on a quarterly basis.	Achieved – Continues into next financial year
<b>Modernisation Programme (Phase 2)</b> We will implement governance arrangements and deliver Phase 2 of Modernisation Programme as approved by the Modernisation Board.	Achieved – Programme continues into next financial year
<b>Staff Satisfaction</b> To develop and implement an action plan following analysis of the DSD staff attitude survey.	Achieved
<b>Improve Attendance</b> To have reduced staff absence levels by 10%.	Initial figures indicate a reduction of 7.7%
<b>Leadership Development</b> To implement a development programme for Grade 7s and other management grades.	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 2005-2006. These exclude non-cash costs.

		Budget (in £ millions)	Result (in £ millions)
Resources Budget	For Northern Ireland Services	153.835	151.750
	For Great Britain Services	14.521	14.503
Capital Budget	For Northern Ireland Services	11.030	0.274
	For Great Britain Services	0	0
Total Budget/Result		179.386	166.527

## 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 for over 1.1 million individuals living in Northern Ireland (with a turnover of about 0.3 million new cases a year) and approximately 35 million payments are made each year. The expenditure on social security benefits is over £3.4 billion a year.

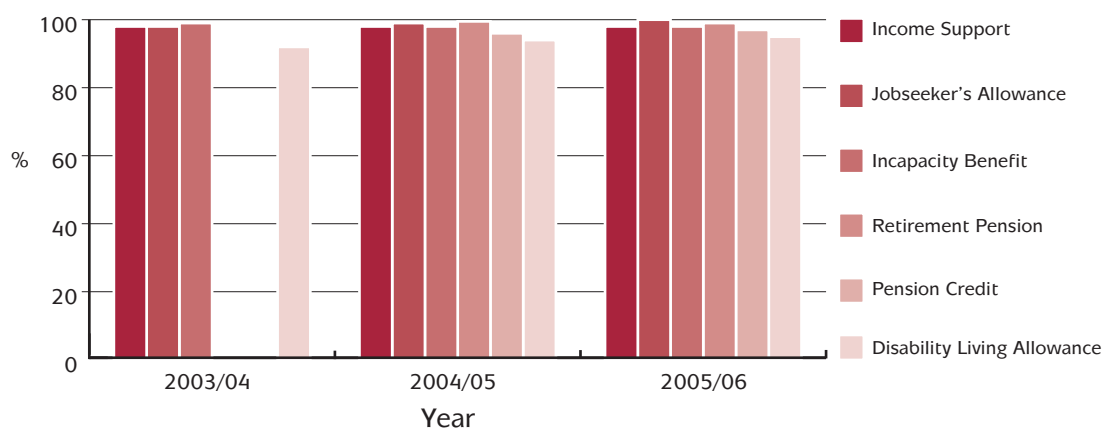
The Agency also provides a benefits processing service for DWP covering approximately 150,000 London customers.

## Performance Targets

### Financial Accuracy

At the beginning of the 2005-2006 year more challenging targets were set for financial accuracy for all 6 main benefits, Income Support, Jobseeker's Allowance, Incapacity Benefit, Retirement Pension, Pension Credit and Disability Living Allowance. At the end of the year the financial accuracy targets for Jobseeker's Allowance, Retirement Pension and Pension Credit were met, Incapacity Benefit was met within statistical tolerance while the financial accuracy targets for Disability Living Allowance and Income Support were not met on the basis of results known at March 2006, they are still likely to be achieved with some delay.

**Figure 1 – Financial Accuracy Performance**



### Financial accuracy targets

#### 2003-2004

95% Income Support, Jobseeker's Allowance, Incapacity Benefit and Disability Living Allowance

#### 2004-2005

98.5% Income Support, Jobseeker's Allowance and Incapacity Benefit

95% Disability Living Allowance and Pension Credit

96% Retirement Pension

#### 2005-2006

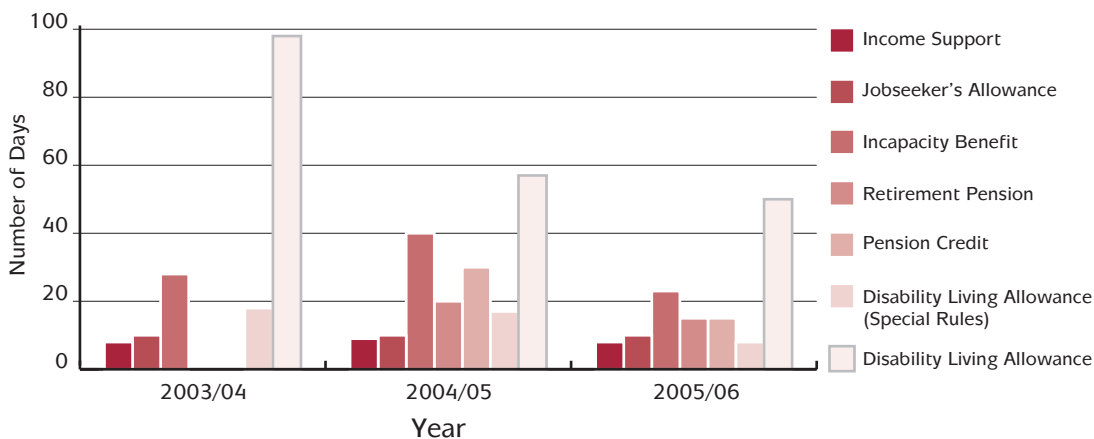
99% Income Support, Jobseeker's Allowance, Incapacity Benefit and Retirement Pension

96% Disability Living Allowance and Pension Credit

## Clearance Times

Clearance time targets were set for Income Support, Jobseeker's Allowance, Incapacity Benefit, Retirement Pension, Pension Credit and Disability Living Allowance (normal claims and special rules). This year more challenging targets were set for the clearance of Incapacity Benefit and Disability Living Allowance Claims. All main claims clearance targets were met with the exception of Pension Credit, which although missed by 2 days shows a substantial improvement from 30 days last year to 14 days by the end of this year.

**Figure 2 – Clearance Times Performance**



## Clearance Times Targets

2003-2004 – Income Support and Jobseeker's Allowance (12 Days)  
 Incapacity Benefit (30 days)  
 Disability Living Allowance (60 days)  
 Disability Living Allowance special rules (20 days)

2004-2005 – Income Support, Jobseeker's Allowance and Pension Credit (12 days)  
 Incapacity Benefit (28 days)  
 Disability Living Allowance (60 days)  
 Retirement Pension and Disability Living Allowance special rules (20 days)

2005-2006 – Income Support, Jobseeker's Allowance, Pension Credit and  
 Disability Living Allowance special rules (12 days)  
 Incapacity Benefit (25 days)  
 Disability Living Allowance (55 days)  
 Retirement Pension (20 days)

## Jobs & Benefits Service

The Jobs & Benefits Project remained a vital part of the Modernisation Programme throughout 2005-2006. The overall aim is to place employability to the fore of the benefit system, to deliver a system that supports 'Work for those who can, and security for those who cannot'. During the period of this report a further Jobs & Benefits office opened and a procurement exercise commenced for the final 10 offices in the roll-out schedule.

Continued efforts have been made to improve overall performance with particular emphasis given to accuracy of decision making, overpayments activity, and audit assurance / governance arrangements.

Significant additional resources have been deployed to keep pace with the escalating demand for new national insurance numbers, particularly for those individuals from Eastern European countries coming to Northern Ireland to seek legitimate employment opportunities.

## Disability, Carers & Incapacity Service

Progress continues to be made in relation to Disability Living Allowance claims clearance and the improvement reported last year continued with the average number of days taken now reduced to 52 days, exceeding the target by 3 days. This is an 8% improvement from last year and 45% from the 2003-2004 year outturn figure.

It is recognised that this is a particularly complex benefit and while the Financial Accuracy target has now been achieved the final outturn figure of 93.5% is similar to 2004-2005.

Further work is underway to drive out the sustained improvement necessary to hit the new target, now increased to 98%.

The structural re-organisation of Incapacity Benefits in late 2004-2005 has resulted in significant improvement in business performance in 2005-2006, particularly, in relation to clearance times with the number of days reduced from 39 days in 2004-2005 to 25 days in 2005-2006. The Financial Accuracy target has also been achieved within tolerance.

Six Pathways pilots are operating since last autumn in Northern Ireland with a further three to go live in October 2006. The Pathways pilots will enable more people with health and disability issues to access a framework of practical and financial help to support them into work. This will bring us into line with Great Britain in that around 30% of new Incapacity Benefit customers will come within the scope of the Pathways initiative by October 2006.

## Pension Service

The Agency's Pension Service has made continued improvement in key aspects of performance during the period of this report. However, more work is required to ensure further improvement in accuracy and timeliness for processing applications and to meet more demanding targets in 2006-2007. We met the standards in the Retirement Pension Customer Charter, achieved the clearance time targets for new claims and changes in circumstances and exceeded the financial accuracy target.

In relation to Pension Credit, although the clearance time target for 2005-2006 was missed, further improvements have been made during the period of the report. The average number of days to clear claims has reduced from 30 days in 2004-2005 to 14 days in 2005-2006. Telephone calls continue to be answered within Customer Charter standards and the Pension Centre Tele-claims service provides a quicker and easier way for customers to make a claim. The financial accuracy target for Pension Credit was exceeded and a programme of activity has been developed to promote further improvement in accuracy levels for 2006-2007.

All future pensioners in Northern Ireland can now 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)

## Fraud and Error

Throughout 2005-2006 the Agency has continued its regular monitoring and measurement of the levels of fraud, error and standards of decision making.

Through our Benefit Security Strategy, documented in "Tackling Fraud and Error in Benefit Security", we are committed to the provision of a secure, accurate and timeous benefit administration. The Strategy, which was subject to a full and detailed review in 2005, continues to drive forward initiatives to reduce the level of fraud and error in the benefit systems.

Over the past year Agency staff examined over 140,000 cases from the four main benefits namely – Income Support, Jobseekers Allowance, Incapacity Benefit and Disability Living Allowance. These interventions produced savings in excess of £30m.

During the same period Agency fraud investigators achieved notable success with 985 benefit cases incurring a form of sanction; 658 were referred for prosecution, 242 were subject to Administrative Penalties and the final 85 had cautions imposed. This activity realised savings of £13m.

This year saw the launch of the Agency's anti-fraud publicity campaign "It's a Rip-Off". This was highlighted on television, radio and billboards and was accompanied by a website [www.stopbenefitfraudni.gov.uk](http://www.stopbenefitfraudni.gov.uk) and a fraud telephone hotline. The campaign was designed to change attitudes towards benefit fraud and make it socially unacceptable.

The Chief Executive is assisted by an Independent Standards Committee, chaired by an external appointee, which reports annually to the Chief Executive on the quality of decision-making standards.

Again this year all benefit branches have implemented Programme Protection Plans to help improve accuracy and to identify areas for action to reduce levels of fraud and error. Performance against these plans is closely monitored.

## Corporate Governance and Risk Management

The Agency reviewed its Corporate Governance Framework in April 2005. The framework outlines the decision-making process in the Agency and specifies the roles and responsibilities of the various committees and Directors of the Agency.

We reviewed our Risk Management Policy and process, incorporating lessons learned from 2004-2005. The policy sets out the:

- Agency's methodology for identifying, assessing and managing risk;
- roles and responsibilities of those involved in the risk management process; and
- 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 2005-2006 approved by the Agency Audit Committee consisted of 46 assignments. By the end of March 2006 31 assignments were completed with 25 final and 6 draft reports issued. Of the 25 final reports 4 received full assurance, 5 received substantial assurance and 6 received a dual assurance rating, with the remainder achieving a limited assurance rating. A dual assurance rating means that whilst overall limited assurance is appropriate due to inherent weaknesses within the Operational Strategy (OPSTRAT) computer processing systems, substantial assurance is appropriate for those areas within management control.

Of the remaining 15 assignments work was current in 11, 3 had been deferred and 1 Follow-Up had been incorporated into a full review of the same area.

Final reports were also issued in respect of 7 assignments that were still outstanding at 31 March 2005.

## Modernisation of Social Security Services

Modernisation is central to the Government's continuing programme of public sector reform to ensure that all citizens have the right to high quality, accessible public services. The aim is to ensure that

services are transformed so that they are delivered efficiently and flexibly, with an expanding choice for the customer.

Over the past few years the Agency has been at the forefront of the modernisation programme in Northern Ireland through its welfare reform programme. This programme delivered a number of significant customer benefits which included:-

- the provision of extra income to thousands of pensioner households through the introduction of Pension Credit; and
- the introduction of a safer, more efficient way to administer benefits and pensions through the modernisation of benefit payments.

Working in partnership with colleagues in Department for Employment and Learning (DEL), we have delivered the welfare to work programme which has proved particularly successful. As part of that initiative, we are remodelling our local office network, converting 25 of the network of 35 offices into modern Jobs and Benefits Offices and with plans well advanced to convert the remainder.

## Customer Services

Delivering the services we offer to our three main customer groups has been the focus of our work programme for 2005-2006. We aim to improve the quality, accessibility and delivery of services to all our customers and continue to build closer liaisons with our colleagues in the voluntary sector.

The following initiatives were undertaken during the year.

### Benefit Uptake

Throughout 2005-2006 we remained committed to promoting our services and increasing the take-up of social security benefits. To ensure potential customers were aware of the range of benefits, we hosted or participated in 43 benefit take-up roadshows in various locations throughout Northern Ireland.

In addition, we recognised the need for a more proactive approach in targeting specific problems such as geographical deprivation or particularly vulnerable clients. We took forward 3 pilot exercises which targeted 3,750 pensioners who had possible entitlement to, in the first instance, Pension Credit. This pilot programme focussed on vulnerable groups within the pensioner customer segment including single females, customers in receipt of Disability Living Allowance and customers living in deprived areas as designated by the Noble indicators. This work was contracted out to the independent advice sector and participants were offered a comprehensive benefit assessment. The programme had a significant impact in delivering financial benefits to a key vulnerable group who were at risk of fuel poverty and social exclusion.

Overall, there was a successful claim rate of 10% with an average weekly entitlement of £28.76, equating to a yearly benefit expenditure of £575,775.20. Additionally, £401,718.62 has been paid in arrears.

The Agency also took forward a Housing Benefit exercise and some 23,765 customers were targeted. Virtually, all customers have been contacted either by phone or letter and a total of 5,943 Housing Benefit applications have been issued; of these 3,774 claims are currently being assessed. The evaluation is still ongoing and claims are being tracked through the Housing Executive and the Rate Collection Agency.

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### Liaison with Independent Advice Sector Organisations

The Consultative Forum is attended by the Chief Executive and Director of Operations of the Agency and the Chairman, and Chief Executives of the 3 Advice Services Alliance organisations. The Advice Services Alliance forum is attended by local managers from the same 3 organisations, who along with the Agency's 3 Assistant Directors meet to discuss issues of an operational nature. Meetings of both forums took place throughout the year.

### North/South Benefit Information Day

The fourth North/South Benefit Information Day was held in October 2005 in Armagh. The overall theme of the event was **Improving Access to Social Security Entitlements** and the day was organised around the topics **Benefit Uptake and Sharing Best Practice in Service Delivery**. 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.

### Benefit Fraud Campaign

In March 2005, we launched a campaign to change the attitudes of the people in Northern Ireland towards benefit fraud. The 'Benefit Fraud - It's a real Rip-Off' campaign lasted for 12 months and was supported by television, press and billboard advertisements. The campaign aimed to raise awareness of the seriousness of benefit fraud and to change attitudes towards its acceptability. In addition, the

Agency provided a freephone number 0800 975 6050 and a website [www.stopbenefitfraudni.gov.uk](http://www.stopbenefitfraudni.gov.uk) where people could report suspected incidences of benefit fraud.

## Correspondence

During the year, we received a total of 136 enquiries from Members of Parliament and Members of the Assembly. This was a decrease in the number of written enquires from 221 in 2004-2005. We cleared 135 cases and 97.6% of these were actioned within the deadline.

## Parliamentary Business

During the year, the Chief Executive's Office answered 48 Parliamentary Questions and provided input to a further 9 questions for other Departments. This was an increase of 17 (23%) on the number of questions received in 2004-2005. The majority of all Parliamentary Questions were responded to within the required 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 2005-2006 was 1967, a decrease of 914 on the number of complaints received in 2004-2005. We replied to 1685 (86%) within the 10 day target.

Service Improvement Managers in all offices, continue to register and monitor complaints in their areas. In September 2005 "Team Time" was introduced throughout the Agency which has placed greater emphasis on quality issues by focusing on improving customer service, sharing good practice and learning from complaints.

For customers, details of our complaints procedure are set out in our revised 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. Following correspondence with the Independent Case Examiner the Agency has introduced internal benchmarks for reconsideration decisions for the six main benefits from April 2006.

During the year there were 21 referrals to the Examiner of which 8 progressed to full investigation. Four of these were not upheld and 4 were partially upheld. The Independent Case Examiner's Annual Report for 2005-2006 was published on 22 June 2006.

### Complaints referred to Independent Case Examiner 2005-2006

Category	
Complaints received	21
Carried forward from previous year	1
Complaints not accepted	7
Failed to respond to enquiries	0
Cleared by early resolution	4
Cleared by full investigation	8 (4 were not upheld) (4 were partially upheld)
Number outstanding at year end	3

Customers can write to the Independent Case Examiner at:

The Officer of the Independent Case Examiner  
PO Box 1245, Belfast, BT2 7DF.

Or alternatively, visit the website at [www.ind-case-exam.org.uk](http://www.ind-case-exam.org.uk)

### Translation and Interpretation Service

A phone interpretation service, supplied by Language Line is used throughout front-line offices in the Agency and DEL and following evaluation of the service the contract has been extended to January 2007. Additionally, a contract was established with two service providers for face-to-face interpreting and document translation services. This service has been operational since January 2005. The current contract following evaluation of the service provided has been renewed to January 2007.

### 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 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 2005-2006 is shown below:

Service standard	Performance 2005-2006
To acknowledge letters within 2 days of receiving them.	We acknowledged receipt of 93.2% of letters within 2 days.
To answer letters within 10 days of receiving them.	We replied to 99.2% letters 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 99.4% of people with an appointment within 10 minutes. We saw 92.3% of people without an appointment within 15 minutes.
To answer calls to direct-dial numbers within 20 seconds.	We answered 98% of calls within the set time (We answered over 5.6 million calls).

## Our People

The Agency recognises that its success depends on having a highly-skilled and effective workforce and links all training 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 continued to deliver technical, management, developmental and legislative courses in addition to Modernisation training. The Agency's planned investment in training and development for the year was £6.3 million. It was anticipated that each member of staff would receive, on average, 6 days' training, resulting in approximately 33,000 training mandays.

### Leadership

As an accredited centre for delivery of the Institute of Leadership & Management (ILM), TDU delivered a number of ILM recognised programmes to staff at all levels from Executive Officer 2 to Deputy Principal. The ILM is the largest management awarding body in Ireland and the programmes offered aim to develop staff knowledge and skills in a range of areas. During the year, 19 staff completed the Institute of Leadership and Management Introductory Diploma and 72 staff completed the Introductory Certificate.

### National Vocational Qualification (NVO)

In September 2005, TDU commenced the fifth roll-out of its NVO in Customer Service Level 2 (39 candidates) and the second roll-out of its NVO in Administration Level 2 (10 candidates). Both rollouts finished in March 2006, with 32 achieving full accreditation in Customer Service Level 2 and 8 achieving full accreditation in Business Administration Level 2.

In addition, 14 Assessor candidates achieved full level 3 qualifications with 1 Internal Verifier award also achieved.

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### Social Welfare Summer School

The sixth annual North/South Social Welfare Summer School was held in Trinity College, Dublin, in August 2005. Forty eight students attended the School, with 24 places each being allocated to the Department for Social Development and the Department of Social and Family Affairs in the Republic of Ireland.

The theme of the summer school was "New Challenges for Social Policy".

### Grade 6/7 Development Programme

A new development programme for Grade 6/7s in the Department was launched in January 2006, with 32 of the Agency's senior managers taking part. The Programme, entitled "Leading for Change" covers leadership development as well as training in a number of core and job-specific skills. This reflects the Professional Skills for Government programme, launched by the Cabinet Office last year and participants will receive 15 to 20 days' training over a 15-month period.

### Further Education

The Agency continued to support staff through the Further Education Programme, which provides financial support for course fees, books and equipment. In all, 116 staff were supported in their studies at an approximate average cost of £506 per member of staff.

A full detailed account of training and development activity is reported in our Annual Training Report for 2005-2006.

## Managing Attendance

Absenteeism remains at an unacceptably high level, and the Agency continues to focus on improving attendance. Throughout the year a concerted effort was made to effect improvements in our managing attendance process. A Managing Attendance action plan was developed to take forward specific actions and initiatives identified as key to reducing absence levels.

The Stress Enquiry Process is in place and offers an early intervention and support for staff whose absence is due to stress-related illnesses, and a facility for those who are not absent from work but feel they are affected by work related stress.

A 24 hour confidential counselling service for all staff and their immediate family members has been introduced provided by an independent organisation called "Staffcare". Staffcare has extensive experience of providing a counselling service to many other organisations throughout the UK and Ireland and it holds organisational membership of the British Association for Counselling and Psychotherapy.

## Workplace Health Improvement Programme

The Agency continues to support the workplace health improvement programme. A variety of health promotion activities took place including awareness sessions delivered by Action Cancer and cardiac risk factor assessments carried out by the Chest Heart and Stroke Association.

## Workforce Planning

The Agency continues to keep its manpower requirements under review, recruiting 419 permanent staff and promoting 33 staff in the last year.

## Supporting Our Community

During the year, 7 Agency staff were seconded to voluntary bodies including the Citizen's Advice Bureau, Macmillan Cancer Relief, Nexus, Royal National Lifeboat Institution, Business for Business and Disability Action, making a positive contribution to their community. Also, approximately 26% of Agency staff now make charitable donations, amounting to just over £10,000 per month through the payroll system.

## Recruitment

During the year, the Agency carried out its recruitment campaigns adhering to the principle of selection on merit and fair and open competition. The Recruitment Service, which is part of the Department of Finance and Personnel, carries out the recruitment of permanent staff for the Agency and the Agency recruits its own temporary staff. A statement of the Agency's practices and an analysis of the content and type of recruitment is given in Annex 5. The Agency takes positive action in its advertisements to welcome applications from the Protestant community and from men, both of whom are under represented in the workforce.

## HR Strategy and Staff Attitude Survey

The Agency's Human Resources (HR) Strategy 2006-2009 was published and is supported by the HR Action Plan 2006-2007. In identifying the key areas for action, consideration was given to the views of staff identified in the Staff Attitude Survey.

### **Industrial Relations**

A Memorandum of Understanding, which represents an agreement between the Agency and Agency Trade Union Side (ATUS) on the conduct of industrial relations, has now been in place for a year. The document has been helpful in clarifying the relationship between management and ATUS and it provides a better understanding of the need for appropriate negotiation, consultation and information sharing. The majority of districts within the Agency now have Whitley structures in place and this has ensured regular contact between management and ATUS.

### **Disabled employees**

The Agency aims to provide access to the full range of recruitment and career opportunities for all people with disabilities and to establish working conditions, which encourage the full participation of disabled people. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees.

### **Equal opportunities**

The Agency is an equal opportunity employer offering employment and advancement on the basis of merit. In addition, the Agency seeks to create a harmonious and neutral working environment, accommodating diversity and outlawing harassment.

### **Employee involvement**

The 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 ATUS representatives on all significant developments affecting staff.

### **Health and safety**

The Agency is committed to adhering to all existing legislation on health and safety at work to ensure that staff and customers enjoy the benefits of a safe environment.

### **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.

## Financial Performance

### Administration and programme expenditure

The Agency accounts include both administrative and programme expenditure derived from the DSD Request for Resources A. Programme expenditure includes social security benefits and grants and loans administered by the Agency. 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 on pages 3 to 47 of this Annual Report.

The Operating Cost Statement on page 60 shows the net operating cost of the Agency.

The net cost of operations for the year was £3.554bn (2004-2005: £3.482bn), including notional interest of 3.5% on capital employed (2004-2005: 3.5%). Capital expenditure for the year amounted to £0.274m (2004-2005: £0.671m).

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.

### Remote Contingency Liabilities

There are no contingent liabilities that are not required to be disclosed under FRS12 but are required to be disclosed for parliamentary reporting and accounting purposes.

### Political and charitable donations

The Agency made no political or charitable donations during the year (2004-2005: £nil).

### Payments to suppliers

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payment Code and British Standard BS 7890 -

Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

Regular reviews conducted to measure how promptly the Agency pays its bills found that approximately 97.7% of bills were paid within this standard during 2005-2006 (2004-2005: 97.7%).

### **The Euro**

The Agency continues to assess the potential effect of the Euro on its business activities. This work is now consolidated within the DSD Euro Planning Document which has been reviewed, updated and formally approved by the Departmental Management Board in year. The DSD Euro Planning Document forms part of the NICS wide Euro Preparation Plan.

## Future Developments

Government commitments remain unchanged from last year; the main thrust of Priorities and Budget 2006-2008 is to continue to direct available resources to priority frontline services such as health and education. As a result resources available to the Agency will continue to be curtailed.

In the last year we have made significant progress towards delivering efficiencies and headcount reductions. This has been achieved through our strategy of directing resources to frontline activities and reducing support activities.

To help us allocate resources appropriately we will continue to focus on five key priorities:

### Delivering Better Customer Services

Our frontline staff have responsibility for assessing and paying social security benefits accurately and securely. They also provide an information and advice service. Financial accuracy and clearance time targets have been established across the 6 main benefit areas. The focus over the coming year will be to manage performance and continuously improve decision making and accuracy in order to meet client expectations and reduce financial losses.

### Promoting benefit uptake

Tackling poverty is a key issue for Government in Northern Ireland, and the Agency needs to do more to combat poverty. The Agency is committed to promoting benefit take-up across the main client groups, namely Pensioners and Disability and Carers, to ensure that our clients receive the financial assistance and services to which they are entitled.

### Reducing Fraud and Error

The Agency is committed to ensuring that benefits are paid only to those who are entitled to them. The implementation of a robust benefit security strategy will help to prevent fraud and error at the outset, and deliver greater public confidence in benefit administration.

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### Debt Recovery

The Agency has responsibility for the recovery of public funds where benefits have been incorrectly paid out through fraud or error. We will continue in our efforts to reduce the number of overpayments of benefit being made, to record and account for those overpayments more accurately, and to be more effective in securing recovery when appropriate.

### Modernisation

Working with DWP in Great Britain and DEL, the Agency is continuing to participate in a major programme of Information Communication Technology (ICT) development. This modernisation programme will improve the efficiency of internal systems and provide a more accessible and integrated service for our client groups; namely customers of working age, pensioners and those customers with disabilities and their carers.

## Modernisation Phase 2

Following closure of the first phase of the Welfare Reforms Programme a second phase commenced in April 2005. The Programme is running in parallel with the DWP Modernisation Programme in Great Britain.

The DWP Programme is focussed on introducing improved information technology, modern telephony and benefit processing systems. This technology will revolutionise the type and availability of services to the customer (for example, self-service options via the internet, increased use of telephone contact and less reliance on face-to-face contact). The introduction of new IT systems is currently enabling DWP to reshape its organisational structure, with the introduction of customer contact and benefit processing centres, thereby achieving significant efficiencies through greater centralisation and economies of scale. DWP has been allocated £1.7bn over the next three years to deliver its Modernisation Programme.

Northern Ireland maintains parity with Great Britain in the provision of social security benefits. This includes systems development, making it crucial that the Agency develops and implements a similar business change programme in Northern Ireland. The Agency has committed to the adoption of the new DWP systems through a corresponding Modernisation Programme, which has been identified as one of the Agency's five key strategic priorities. It is crucial that parity is maintained with DWP's IT systems to ensure that the Agency has the continued capacity to administer payment of benefit. Funding has been secured under Priorities and Budgets 2005-2008 to implement this programme and the Agency is working closely with DWP.

The Agency's Modernisation Programme is being implemented across the three key business areas (Pensions, Working Age, and Disability and Carers) and across the information technology infrastructure, including benefit IT systems. The key business outcomes from the programme will be improved efficiency in automation of benefit process, and improved customer service in terms of decision making and payment accuracy.

# Remuneration Report Part 3



# Remuneration Report

## Remuneration Policy

The remuneration of senior civil servants, which is entirely performance based, is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

## Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' for Northern Ireland 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 until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the NICS Staff Handbook.

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.

### Senior Civil Servants

Officials	2005-2006		2004-2005	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
<b>Gerry Keenan</b> Chief Executive	90-95	N/A	80-85	N/A
<b>Bryan Davis</b> Director of Operations	55-60	N/A	Consent to disclose withheld	N/A
<b>Heather Cousins</b> Director of Finance & Planning	55-60	N/A	50-55	N/A
<b>Colum Boyle</b> Director of Business Development	50-55	N/A	N/A	N/A
<b>Grace Nesbitt</b> Director of Human Resources	50-55	N/A	45-50	N/A
<b>Dr Terry Dixon</b> Director of Medical Services	70-75	N/A	Consent to disclose withheld	N/A
<b>Tommy O'Reilly</b> Director of Business Development until March 05	N/A	N/A	Consent to disclose withheld	N/A
<b>John O'Neill</b> Acting Director of Business Development (from March to May 2005)	40-45	N/A	Consent to disclose withheld	N/A
<b>Pat Magee</b> Acting Director of Human Resources until Sept 04	N/A	N/A	45-50	N/A
<b>John Nevin</b> Acting Director of Working Age until Dec 04	N/A	N/A	45-50	N/A
<b>Anne Flanagan</b> Acting Director of Disability & Carers & Quality until Dec 04	N/A	N/A	50-55	N/A
<b>David McCurry</b> Acting Director of Benefit Security until Dec 04	N/A	N/A	50-55	N/A
<b>Andrew Smith</b> Non - Executive Director until June 04	N/A	N/A	5-10	N/A

## Salary

'Salary' includes gross salary; performance pay or bonuses and any allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

## 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. There were no benefits in kind payable in 2005-2006.

## Civil Service Pensions

Officials	Accrued pension at age 60 as at 31/3/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
<b>Gerry Keenan</b> Chief Executive	40 – 45 plus 125 -130 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	733	664	45	N/A
<b>Bryan Davis</b> Director of Operations	20 – 25 plus 65 – 70 lump sum	0 – 2.5 plus 2.5 - 5 lump sum	385	354	18	N/A
<b>Heather Cousins</b> Director of Finance & Planning	5 – 10 plus 15 – 20 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	68	56	9	N/A
<b>Colum Boyle</b> Director of Business Development	10 – 15 (no lump sum - premium member)	12.5 – 15 (no lump sum – premium member)	124	N/A	124	N/A
<b>Grace Nesbitt</b> Director of Personnel	15 – 20 plus 50 – 55 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	266	244	10	N/A
<b>Dr Terry Dixon</b> Director of Medical Services	35 – 40 plus 105 – 110 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	669	616	28	N/A
<b>Tommy O'Reilly</b> Director of Business Development until March 05	N/A	N/A	N/A	N/A	N/A	N/A
<b>John O'Neill</b> Acting Director of Business Development (from March to May 05)	N/A	N/A	N/A	N/A	N/A	N/A
<b>Pat Magee</b> Acting Director of Human Resources until Sept 04)	N/A	N/A	N/A	N/A	N/A	N/A
<b>John Nevin</b> Acting Director of Working Age until Dec 04	N/A	N/A	N/A	N/A	N/A	N/A
<b>Anne Flanagan</b> Acting Director of Disability & Carers & Quality until Dec 04	N/A	N/A	N/A	N/A	N/A	N/A
<b>David McCurry</b> Acting Director of Benefit Security until Dec 04	N/A	N/A	N/A	N/A	N/A	N/A
<b>Andrew Smith</b> Non - Executive Director until June 04	N/A	N/A	N/A	N/A	N/A	N/A

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes 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 after 1 October 2002 may choose

between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. 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 in the same way as in 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 from a selection of approved products. 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).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.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 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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## Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.



Gerry Keenan  
Chief Executive

Date: 29th June 2006

Annual Report & Accounts  
2005-2006

# 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 2005-2006

Annex 5 - Recruitment Information



# 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
- 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
- Pension Credit
- Retirement Pension
- Old Person's Pension
- State Second 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 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

The **Belfast Benefit Centre** deals with claims for social security benefits made by people in the London Districts of Brent, Harrow & Hillington, North London and the South East London Districts. In particular, the centre deals with all aspects of registering, assessing and reviewing claims. We prepare adjudication and appeals, deal with phone enquiries and correspondence for:

- Income Support;
- Jobseeker's Allowance; and
- Incapacity Benefit, Severe Disablement Allowance and Maternity Allowance.

We also reassess overpayment referrals for the entire London Jobcentre Plus Region.

The **Paid Order Unit** at Lisahally provided the following services for the Department for Work and Pensions in Great Britain, as well as the corresponding services for Northern Ireland:

- accounting checks on cashed order book foils;
- storing foils;
- carrying out searches for foils when asked;
- producing operational statistics; and
- help in preventing and detecting fraud.

Due to the introduction of direct payment into personal bank accounts, benefit orders have been phased out and Lisahally Paid Order Unit ceased operations on 31st March 2006.

## 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 travelling expenses to visit a partner or close relative in prison.
- **Housing and fuel costs** – we take amounts from benefits for housing and fuel costs and make payments to organisations which have given credit.
- **Legal Aid Assessment** - we assess people's financial circumstances 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 allocation service on behalf of the Inland Revenue.
- **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 training allowances to those taking part in recognised DEL schemes.
- **Data Sharing with other Government Departments** – for example the Electoral Office for Northern Ireland, Compensation Recovery Agency and the Department for Regional Development.

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	Phone Number: 028 9054 4633 028 9054 4669 028 9054 4635  Textphone: 028 9054 4663	Monday – Friday 9.00am – 5.00pm	3 dedicated phone numbers to receive allegations of social security benefit fraud from the public  No details of caller required and confidentiality is guaranteed
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 7136 8365	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 7136 8365	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 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 2005-2006

Benefits taken from Northern Ireland Consolidated Fund	£'000
Non-contributory retirement pension	1,887
Christmas bonus (pensioners)	988
Attendance Allowance	187,389
Carer's Allowance	82,105
Severe Disablement Allowance	40,656
Disability Living Allowance (including £2k Miscellaneous Disease Schemes)	582,596
Industrial Injuries Benefits	25,869
Income Support for the elderly	4,221
Pension Credit <sup>1</sup>	284,296
Family Credit, Child Support Maintenance Bonus and Disability Working Allowance	18
Income Support – non-pensioners	457,708
Jobseeker's Allowance (income based)	65,707
Age Related payments	24,868
Job grant	879
<b>Total: Northern Ireland Consolidated Fund</b>	<b>1,759,187</b>

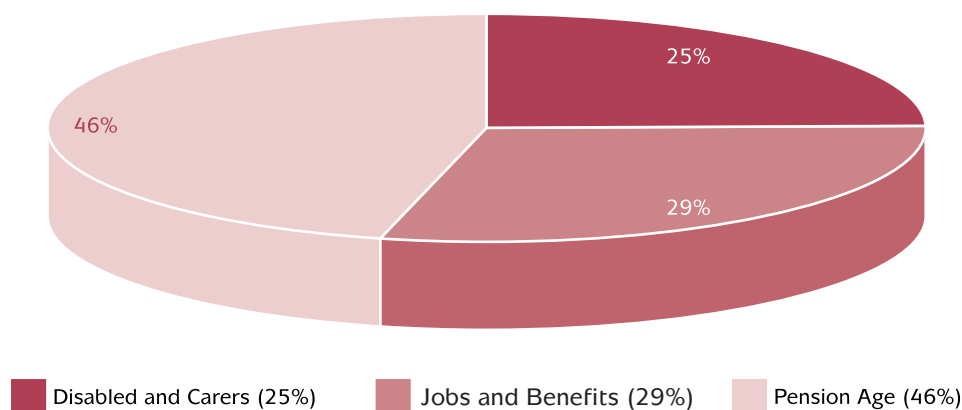
Benefits taken from the Northern Ireland National Insurance Fund	£'000
Retirement Pension	1,199,622
Christmas Bonus	3,501
Widow's Benefits	28,700
Incapacity Benefit	322,407
Maternity Allowance	4,486
Jobseeker's Allowance (contribution based) <sup>2</sup>	12,323
<b>Total: Northern Ireland National Insurance Fund</b>	<b>1,571,039</b>

Social Fund	£'000
Budgeting loans <sup>3</sup>	39,840
Crisis loans <sup>3</sup>	8,086
Community care grants	13,505
Maternity payments	4,512
Funeral payments <sup>3</sup>	2,639
Cold-weather payments	1
Winter Fuel Payments	50,197
Repayment of loans and other receipts	(46,035)
<b>Total: Social Fund</b>	<b>72,745</b>
<b>Total public spending on benefits for which we are responsible</b>	<b>3,402,971</b>

**Notes**

1. Pension Credit replaced Income Support for the Elderly from October 2003.
2. Spending on Jobseeker's Allowance is funded by the Department for Social Development's Vote (Request for Resources A) and the contributory element is repaid by the National Insurance Fund.
3. Figures for Crisis Loans, Budget Loans and Funeral Payments represent amounts for new loans issued in the year. (These amounts are included within Debtors, Note 10 in the notes to the financial statements).

**Spending on benefits by broad groups of beneficiaries 2005-2006**



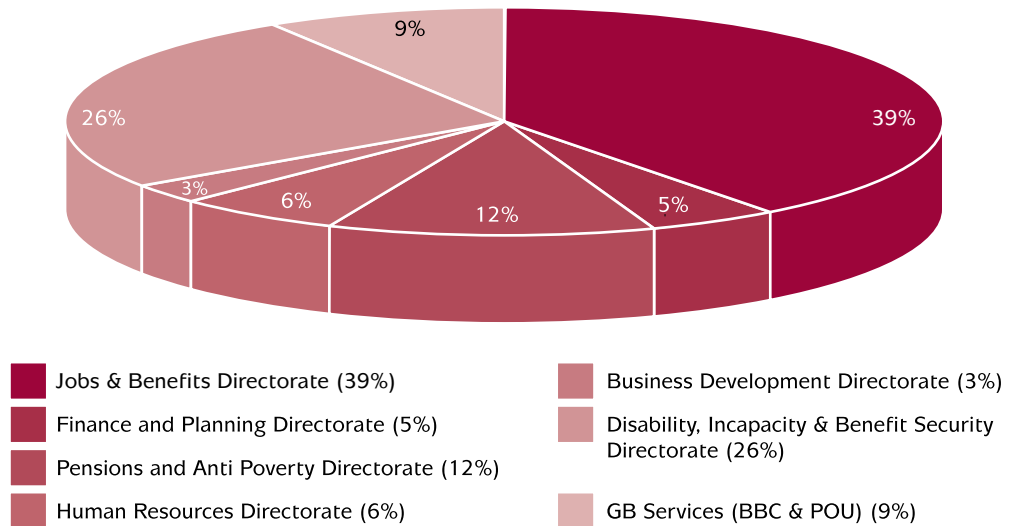
Disabled and Carers (25%) Jobs and Benefits (29%) Pension Age (46%)

Spending on benefits <sup>1</sup> = **£3,398,441k**

Disabled and Carers	25.07%	£852,090k
Jobs and Benefits	28.64%	£973,386k
Pension Age	46.28%	£1,572,965k

<sup>1</sup> The above figure for spending on benefits, £3,398,441k, 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 Business Area 2005-2006

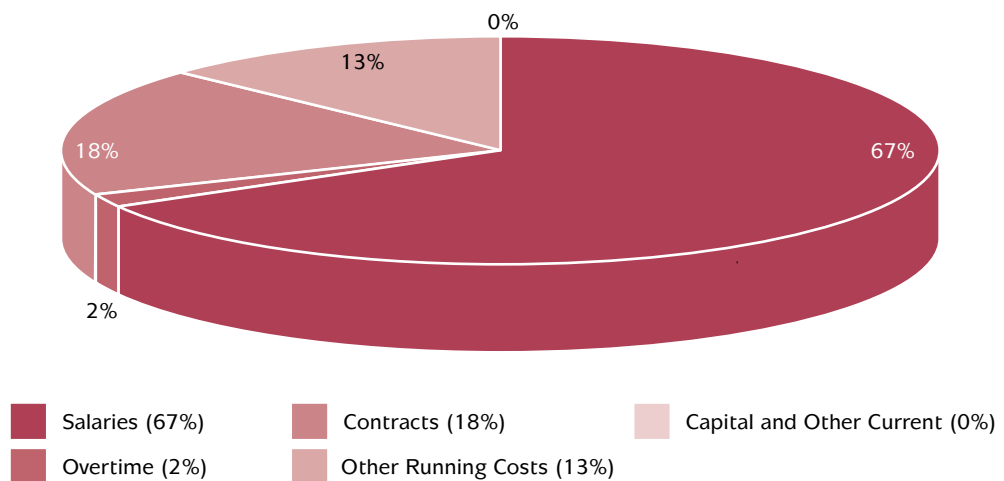


**Notes:**

1. The spending figure for Great Britain Services includes the costs associated with handling the Belfast Benefit Centre and the Paid Order Unit.
2. Modernisation spending is included in the figures shown for each of the directorates.

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### Patterns of spending by type 2005-2006



Total spending = £166.527 million (£165.637 million Administration costs; £0.616 million Other Current Costs and £0.274 million Capital Costs)

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

# Annex 4

## Benefit Changes in 2005-2006

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 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 2005-2006:

- The basic Retirement Pension for a single person rose from £79.60 to £82.05 and for a couple from £127.25 to £131.20;
- Jobseeker's Allowance (contribution-based) for a single person over 25, went from £55.65 to £56.20; and
- Incapacity Benefit went from £74.15 to £76.45 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 2005-2006 listed below:

- Income Support and Income-based Jobseeker's Allowance for a single person over 25 went up from £55.65 to £56.20; and
- Income Support and Income-based Jobseeker's Allowance for a couple with two children aged, for example, 10 and 12, went up from £187.79 to £192.01.

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### Other benefits

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

- Severe Disablement Allowance increased from £44.80 to £46.20 and Carer's Allowance increased from £44.35 to £45.70;
- the higher rate of Attendance Allowance and the highest rate of the care component of Disability Living Allowance increased from £58.80 to £60.60; and
- the higher rate of the mobility component of Disability Living Allowance increased from £41.05 to £42.30.

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 £144.20 to £148.60.

# Annex 5

## Recruitment information

Recruitment information is published in line with Annex B to the Civil Service Commissioners' Recruitment Code. Details for the period 1 April 2005 to 31 March 2006 are shown at Tables A and B.

### 1. Recruitment systems

Temporary staff are recruited in accordance with the principle of selection on merit on the basis of fair and open competition, in line with the Civil Service Commissioners' Recruitment Code.

The following systems have been put in place to ensure that staff are chosen in line with sections 2 and 3 of this Code:

- written guidance on recruitment policies and procedures is available to all staff involved in recruiting temporary staff;
- training is in place for staff and panel members involved in the recruitment process;
- panel members all receive written guidance and verbal briefings on applying the recruitment principle before carrying out interviews;
- job specifications are drawn up for those grades to which recruitment is made, setting out the requirements of the job and the terms and conditions of the appointment. These are reviewed and revised if necessary before each recruitment competition;
- the essential criteria for all jobs are clearly defined before they are advertised;
- all advertisements include an equal opportunities statement that makes it clear that the Agency welcomes people regardless of their religious beliefs, political opinions, sex, disability, race, age, marital status, sexual orientation and whether or not they have dependants. As Protestants and men are currently known to be under-represented amongst applicants for employment in the grade of Administrative Assistant in the Northern Ireland Civil Service, a positive action statement is currently included advising that applications from the Protestant section of the community and from men would be particularly welcome;
- all advertisements for the job of Administrative Assistant advise potential candidates with disabilities that if they do not hold the necessary academic qualifications, they will have to sit an aptitude test;
- all advertisements are placed in Jobcentres and Jobs & Benefits Offices in Northern Ireland;
- application forms are issued and accepted up to the specified closing date for receiving applications;
- application forms contain only questions which are necessary in order to assess the applicant's suitability for the job and to obtain information required for administrative and monitoring purposes;
- appropriate records are kept in relation to all decisions taken;
- test/interview scores are recorded on mark-frames and candidates are recommended for appointment in order of merit; and
- records are kept for three years.

## 2. Internal monitoring

An internal monitoring programme is in place to ensure that recruitment policies and procedures are working effectively throughout the Agency.

## 3. Statistical summaries

A summary of the details relating to the number of applications and appointments, including analyses by gender, community background and disability is attached.

## Recruitment information – Table A

### Composite return - Applications

Northern Ireland Civil Service Recruitment

**NICS Recruitment Service or Department or Agency:** Social Security Agency

Period covered: 1 April 2005 to 31 March 2006

### Total number of applications by occupational group

Occupational group	Total	Sex			Community background					Disabled			
		Male	%	Female	%	Protestant	%	Roman Catholic	%	other	%		%
General services grades	1887	850	45%	1037	55%	711	37.7%	1067	56.5%	109	5.8%	132	7%
Centralised service grades	352	223	63.4%	129	36.6%	127	36.1%	200	56.8%	25	7.1%	29	8.2%
<b>Total</b>	<b>2239</b>	<b>1073</b>	<b>48%</b>	<b>1166</b>	<b>52%</b>	<b>838</b>	<b>37.4%</b>	<b>1267</b>	<b>56.6%</b>	<b>134</b>	<b>6%</b>	<b>161</b>	<b>7.2%</b>

### Classification of applications by appointment

Occupational group	Total	Sex			Community background					Disabled			
		Male	%	Female	%	Protestant	%	Roman Catholic	%	other	%		%
Temporary or Casual	2239	1073	48%	1166	52%	838	37.4%	1267	56.6%	134	6%	161	7.2%
<b>Total</b>	<b>2239</b>	<b>1073</b>	<b>48%</b>	<b>1166</b>	<b>52%</b>	<b>838</b>	<b>37.4%</b>	<b>1267</b>	<b>56.6%</b>	<b>134</b>	<b>6%</b>	<b>161</b>	<b>7.2%</b>

If a competition is run on behalf of several departments and agencies the co-ordinating organisation is responsible for the application statistics. Appointments must be shown in the appointing departmental or agency table.

## Recruitment information – Table B

### Composite return - Appointments

Northern Ireland Civil Service Recruitment

**Service or department or agency:** Social Security Agency

Period covered: 1 April 2005 to 31 March 2006

### Total number of appointments by occupational group

Occupational group	Total	Sex		Community background					Disabled			
		Male	Female	%	Protestant	%	Roman Catholic	%	other	%	%	
General services grades	208	102	106	49%	83	39.9%	119	57.2%	6	2.9%	8	3.8%
Centralised service grades	36	28	8	77.8%	21	58.3%	12	33.3%	3	8.3%	2	5.6%
<b>Total</b>	<b>244</b>	<b>130</b>	<b>114</b>	<b>53.3%</b>	<b>104</b>	<b>42.6%</b>	<b>131</b>	<b>53.7%</b>	<b>9</b>	<b>3.7%</b>	<b>10</b>	<b>4.1%</b>

### Appointment type

Occupational group	Total	Sex		Community background					Disabled			
		Male	Female	%	Protestant	%	Roman Catholic	%	other	%	%	
Temporary or Casual	244	130	114	53.3%	104	42.6%	131	53.7%	9	3.7%	10	4.1%
<b>Total</b>	<b>244</b>	<b>130</b>	<b>114</b>	<b>53.3%</b>	<b>104</b>	<b>42.6%</b>	<b>131</b>	<b>53.7%</b>	<b>9</b>	<b>3.7%</b>	<b>10</b>	<b>4.1%</b>

These figures include 15 General Service Grades who were appointed to Department of Employment and Learning.

Annual Report & Accounts  
2005-2006

# Annual Accounts 2005-2006

## Part 4



Annual Report & Accounts  
2005-2006

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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 accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of 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, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in "Government Accounting 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 policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland. As Accounting Officer, I am accountable for ensuring:

Minister and the Permanent Secretary are regularly informed of the ongoing management of key Agency risks through briefing reports and meetings. Formal assurance is provided through the current reporting arrangements in place with the Departmental Risk Register, which contains associated risks against all 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 the Minister and the Permanent Secretary on the Agency's performance against targets and key areas of work.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives: it can therefore provide only 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 2006 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel (DFP) guidance.

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## 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 managed and that appropriate controls are in place.

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 quarterly to 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 with all aspects of the business by supporting staff 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 Risk Management Policy is formally reviewed by Agency Management Board on an annual basis. This annual review assesses how the Agency's system of internal control has performed in the current year, the scope and quality of the ongoing monitoring of risks, and reports received from internal audit, all of which 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. The following paragraphs describe the key elements in the Agency's risk management strategy, and demonstrates how it is embedded within the organisation.

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 Framework* annually. The Framework 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 Risk Management Framework is supported by a *Corporate Risk Register*. The Risk Register records the status of each risk and actions taken to manage the risk.

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 mechanism, Agency Annual Review and Internal Audit annual reviews.

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 work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, and the 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 since the last annual assessment;
- identified the significant risks that face the Agency for the year 2006-07 and agreed the management of controls; and
- signed off the Agency Risk Management Policy and Framework for the incoming business year.

An Audit Committee has been established to support 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 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
- advises on the adequacy of management responses to issues identified by audit activity.

The DSD Internal Audit Unit provides an independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement. 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 drew on the following evidence:

- the Agency's Corporate Governance Framework;
- a Business Plan for 2006-07 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;
- quarterly monitoring of progress against 2005-06 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;
- 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 Directors; and
- an internal follow-up system to ensure that internal audit recommendations are implemented.

## 6. Significant internal control problems

Arising from his audit of the 2004-05 Agency accounts the Comptroller and Auditor General (C&AG) reported on two major qualification issues.

The first of these concerned significant levels of estimated fraud and error in certain social security benefits.

During 2005-06 the Agency has continued its regular monitoring and measurement on the levels of fraud and error.

Essentially this involves the measurement of financial accuracy and the official error in the administration of each benefit and, complementary to this, benefit reviews which estimate the level of customer fraud and customer error.

During 2005-06 the Agency undertook a review of its approach to measurement and on completion has agreed a new methodology which, in future, should enable the Agency to produce more accurate and transparent estimates of total fraud and error in the benefit system in Northern Ireland. The new 'common sample' approach will be applied to all future measurement exercises from 2006-07 onwards. This should remove the previous problem surrounding the duplication of the calculation of official error commented on in the past by the NIAO.

For 2005-06 very challenging new financial accuracy targets were set for the six main benefits. Income Support, Jobseeker's Allowance, Retirement Pension and Incapacity Benefit were set at 99% and others at 96%. Four Benefits met their new targets. Disability Living Allowance and Income Support while not meeting target, maintained last year's performance.

The most recently published benefit fraud and error figures for the period January 2005 - December 2005 are roughly on a par with 2004-05 and 2003-04 in percentage terms.

Comparative estimates for previous years have now been updated and are now based largely on the most recent Benefit Reviews. Benefit Reviews have been published for the calendar year January to December 2005 and also for 2004-05. Previous years' estimates used financial accuracy figures in lieu of full benefit review figures.

Jobseeker's Allowance does show a reduction from 9.2% error in 2003-04 to 4.4% in the period January to December 2005.

In other benefits while fraud and error levels in percentage terms have remained the same the corresponding monetary amounts have increased slightly mainly due to increased benefit expenditure. Pension Credit figures from full benefit review are also now included in the total for the first time. Expenditure on Pension Credit has risen from £114m in 2003-04 to £285m in the 2005 calendar year.

For 2005-06 reducing fraud and error was one of the Agency's key priority areas. In addition to improvement plans all benefit branches have Programme Protection plans in place to improve accuracy and identify areas for action to reduce levels of fraud and customer error. Activity levels and success have improved in detecting and removing error. From 01 April 2005 to 31 March 2006, almost 209,000 checks/interventions have been performed compared to the previous year figure of 141,000 checks/interventions.

The second qualification issue on the 2004-05 accounts related to uncertainties surrounding the benefit overpayment debtors balance as reported in the Agency's balance sheet.

Significant action has been taken by the Agency throughout 2005-06 in order to address this qualification area. Work has continued under the Debt Transformation Programme. Furthermore extensive

testing has been completed on the information held on the current overpayment recovery system in order to validate the amount of overpayment debt. In addition a year-end exercise has been performed to estimate the level of potential debt throughout the Agency. All the work undertaken by the Agency has provided the necessary audit evidence to validate the accuracy and completeness of the 2005-06 benefit overpayments debtors balance. Accordingly the previous audit qualification on this area, and the disclaimer on the Agency's financial statements have now been removed by the C&AG.

The draft SSA Internal Audit Annual Assurance report for 2005-06 stated that limited assurance remained appropriate for Programme Expenditure.

The main areas of concern continue to be those areas which Internal Audit have reported on in previous years, namely inherent weaknesses within the computer systems, non-compliance with laid down procedures and incomplete management checks.

With regard to the OPSTRAT difficulties, the Agency remains dependent on the progress made by the Department for Work and Pensions (DWP) to remove OPSTRAT/system weaknesses.

With regard to non-compliance with laid down procedures and the incompleteness of management/supervisory checks the Agency has ensured throughout 2005-06 that local managers address the relevant concerns within their control and take appropriate action as required.

As Accounting Officer I issued a direction in May 2005 that all operational business units should aim to achieve substantial assurance ratings in relation to the management and control of internal mandatory checks. To support this, an Operational Assurance Control Framework has been drawn up to ensure a consistent and robust approach.

Consequently this year a dual assurance rating has been introduced within the Agency. This dual assurance rating recognises the effort and action taken by local managers to address the internal compliance issues within their control. Where local management have been effective in this Internal Audit have awarded them with a substantial assurance rating in recognition of their efforts. Limited assurance is still appropriate to the operational/system concerns outside local management's control. The dual assurance rating therefore recognises that certain operational internal control issues are outside the scope of the local managers' remit but that management are working towards resolving those internal problems within their area of control.

Throughout the Agency several operational areas have achieved a dual substantial assurance rating and Internal Audit themselves recognise that the Agency is making real progress in addressing those internal control issues within its remit. Internal Audit have commented that the progress made for 2005-06 represents the best ever Agency performance to date in respect of programme expenditure.

DSD Internal Audit also raised concerns last year in relation to the debt management area within the Agency. These concerns focussed on the validation of the measurement system for reporting the Overpayment Recovery Target, and problems concerning the completeness of overpayment information forwarded to the Agency's Debt Management Unit.

It is anticipated that all of the work undertaken by the Agency throughout 2005-06 in the validation of the benefit overpayment debtors balance, together with the ongoing development of the Debt Transformation Programme will effectively help to address the concerns raised by Internal Audit.



Gerry Keenan  
Chief Executive

Date: 29th June 2006

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

I certify that I have audited the financial statements of the Social Security Agency for the year ended 31st March 2006 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 Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

The Agency and Chief Executive are responsible for preparing the Annual 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 there under 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 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's directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 53 to 57 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover 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 only the Chief Executive's Report, the Directors' Report, the Management Commentary, the unaudited part of the Remuneration Report, and the Annexes. 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 opinion

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 judgments 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 Parliament 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.

However, I did not have reasonable assurance, or the evidence available to me was limited in respect of the Agency's estimated losses of £137 million in certain non-contributory and contributory social security benefits and social fund benefits through fraud and error. In consequence, I was unable to carry out auditing procedures necessary to obtain adequate assurance on the amounts and disclosures included in the financial statements.

## Opinion: qualified opinion on the view given by financial statements and qualified opinion on the regularity of income and expenditure

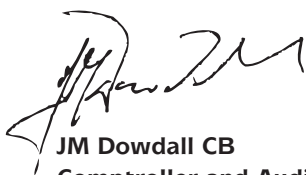
Except for the estimated losses due to the level of fraud and error in certain non-contributory and contributory social security benefits and social fund benefits, in my opinion;

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made there under by the Department of Finance and Personnel, of the state of the Agency's affairs as at 31st March 2006 and of the net cost of operations, recognised gains and losses and cashflows 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
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In respect alone of the estimated losses due to fraud and error in certain Social Security Benefits:

- I was unable to determine whether the Agency maintained proper accounting records; and
- I have not obtained all the information and explanations that I considered necessary for the purpose of my audit.

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



**JM Dowdall CB**  
**Comptroller and Auditor General**  
**3 July 2006**

**Northern Ireland Audit Office**  
**106 University Street**  
**Belfast BT7 1EU**

## Operating Cost Statement for the year ended 31 March 2006

	Note	Year ended 31 March 2006		Year ended 31 March 2005	
		£000	£000	£000	£000
<b>Administration costs</b>					
Staff costs	3.1	114,231		115,237	
Depreciation and other amounts written off tangible fixed assets	4.1	4,286		5,505	
Other operating costs	4.2	74,561		81,874	
<b>Gross administration costs</b>			<b>193,078</b>		202,616
Operating income	2.1		(43,223)		(43,346)
<b>Net administration costs</b>			<b>149,855</b>		159,270
<b>Programme costs</b>					
Benefits funded by Consolidated Fund					
Expenditure	6	1,762,324		1,745,602	
less: income	2.2	(3,137)		(4,844)	
			<b>1,759,187</b>		1,740,758
Benefits funded by National Insurance Fund					
Expenditure	7	1,571,048		1,509,338	
less: income	2.2	(9)		(8)	
			<b>1,571,039</b>		1,509,330
Benefits funded by Social Fund					
Expenditure	8	71,153		69,913	
less: income		-		-	
			<b>71,153</b>		69,913
<b>Net programme costs</b>			<b>3,401,379</b>		3,320,001
<b>Cost of operations before cost of capital</b>			<b>3,551,234</b>		3,479,271
Cost of capital			2,699		2,573
<b>Net cost of operations</b>	15.1		<b>3,553,933</b>		3,481,844
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 2006

	Note	Year ended 31 March 2006		Year ended 31 March 2005	
		£000	£000	£000	£000
Unrealised surplus on revaluation of fixed assets	14.2		(2)		4
The notes on pages 63 to 87 form part of these accounts.					

# Balance Sheet as at 31 March 2006

	Note	Year ended 31 March 2006		Year ended 31 March 2005	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9		17,572		21,585
Debtors falling due after more than one year	10.2		59,760		43,456
<b>Current assets</b>					
Debtors	10.1	103,057		54,459	
Cash with paying agents	11	-		22,507	
<b>Current liabilities</b>					
Creditors - amounts falling due within one year	12	(58,143)		(57,147)	
<b>Net current assets/(liabilities)</b>			44,914		19,819
<b>Total assets less current liabilities</b>			122,246		84,860
<b>Provisions for liabilities and charges</b>	13		(2,319)		(2,281)
<b>Net assets</b>			119,927		82,579
<b>Taxpayers' equity:</b>					
General fund	14.1		110,836		73,486
Revaluation reserve	14.2		9,091		9,093
<b>Taxpayers' Equity</b>			119,927		82,579

The notes on pages 63 to 87 form part of these accounts.



G Keenan  
Chief Executive

29 June 2006

## Cash Flow Statement for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
<b>Net cash outflow from operating activities</b>	<b>15.4</b>	<b>(3,565,644)</b>	<b>(3,480,619)</b>
<b>Capital expenditure</b>	<b>9</b>	<b>(377)</b>	<b>(582)</b>
<b>Financing</b>	<b>15.5</b>	<b>3,566,021</b>	<b>3,481,201</b>
<b>Increase/(decrease) in cash in the period</b>		<b>-</b>	<b>-</b>

The notes on pages 63 to 87 form part of these accounts.

# Notes to the Accounts

## for the year ended 31 March 2006

### 1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2005-06 Financial Reporting Manual (FRoM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FRoM 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 FRoM 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 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 Department of Finance and Personnel as far as those requirements are appropriate.

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#### 1.2 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. Computer equipment is capitalised irrespective of cost and is disclosed in the information technology 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 Valuation and Land Agency (VLA) every five years and appropriate indices in intervening years. The valuations were carried out by members of the Royal Institute of Chartered Surveyors (RICS) in accordance with procedures laid out in the RICS Appraisal and Valuation Manual. The last valuation was carried out at 31 March 2004.

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

### 1.3 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 in 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                        5 to 10 years
- Transport equipment                         5 years

No depreciation is provided on freehold land.

### 1.4 Land and buildings and property improvements

Land and buildings included in the balance sheet comprise the Belfast Benefit Centre located at 31 Chichester Street, Belfast and the Paid Order Unit located at 28 Temple Road, Lisahally.

All of the work carried out by the Belfast Benefit Centre and approximately 96% of the work of the Paid Order Unit 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.

### 1.5 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 external clients in Great Britain on behalf of the Department for Work and Pensions.

### 1.6 Administration and programme expenditure

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

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

Programme expenditure comprises 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).

### 1.7 Social security programme expenditure

During 2005-06, social security benefits were paid by cheques, payable orders and bankers automated credit transfer. The main method for receiving social security benefit payments is through the Direct Payment/automated credit transfer method.

## 1.8 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. The NIF provides financing to the Agency to cover the contributory benefit expenditure and the administration costs incurred by the Agency. The financing from the NIF shown in the Cash Flow Statement is the net financing due to the Agency.

## 1.9 Stocks

Stocks consist solely of consumable items and are therefore expensed in the year of purchase.

## 1.10 Cash and bank balances

Due to funding requirements it is Departmental policy to hold and manage all operational bank accounts, including those used by the Agency, centrally. For openness and transparency it was decided for 2005-06 to show the Agency's attributable proportion of the Departmental bank account balance for both administrative and programme expenditure. Accordingly the attributable proportion of the centrally held bank balance for the Agency is disclosed under Debtors in the accounts. The centrally held bank balance is disclosed in the Departmental Resource Accounts.

## 1.11 VAT

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

## 1.12 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 standard rate of 3.5% in real terms of capital employed.

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

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## 1.13 Leasing

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

## 1.14 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.

## 1.15 Early departure costs

The Agency must meet the additional costs of benefits beyond the normal PCSPS 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 2.8% in real terms.

### **1.16 Private Finance Initiative 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).

### **1.17 Contingent Liabilities**

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

## 2.1 Operating income

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

	2005-06 £000	2004-05 £000
Administration of the National Insurance Fund	28,000	27,960
Services to the Department for Work and Pensions	14,478	14,776
Mortgage Interest Direct Scheme	86	164
Other administration income	659	446
	<u>43,223</u>	<u>43,346</u>

## 2.2 Programme income

An analysis of programme income for the Consolidated Fund, £3.137m (2004-05: £4.844m), is shown in Note 6 and an analysis of programme income for the National Insurance Fund, £0.009m (2004-05: £0.008m), is shown in Note 7.

	Note	2005-06 £000	2004-05 £000
Consolidated Fund	6	3,137	4,844
National Insurance Fund	7	9	8
		<u>3,146</u>	<u>4,852</u>

### 3 Staff costs and numbers

#### 3.1 Analysis of staff costs

	2005-06 £000	2004-05 £000
Salaries and wages	93,494	97,796
Social security costs	5,702	6,094
Superannuation	14,760	11,135
Early departure costs	284	189
<b>Sub-total</b>	<b>114,240</b>	<b>115,214</b>
Inward Secondments	(9)	23
<b>Total</b>	<b>114,231</b>	<b>115,237</b>
Less recoveries in respect of outward secondments	(453)	(234)
<b>Total Net Costs</b>	<b>113,778</b>	<b>115,003</b>

#### 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. Agency staff are members of the Principal Civil Service Pension Scheme, 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 2003 and details of this valuation are available in the PCSPS (NI) resource accounts.

For 2005-06, employer contributions of £14.824m were payable to the PCSPS (NI) (2004-05: £11.161m) at one of four rates in the range 16.5% to 23.5% of pensionable pay (2004-05: 12% to 18%), 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, a stakeholder pension with an employer contribution. Employer contributions of £6,959 (2004-05: £3,912) 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 £602 (2004-05: £352), 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 2006 were £8,936 (31 March 2005: £4,595).

### 3.2 Number of employees

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

	2005-06 Number of staff	2004-05 Number of staff
Permanent	5,734	5,719
Others	158	278
	<u>5,892</u>	<u>5,997</u>

### 3.3 Early departure costs

There were two early retirements from the Agency during 2005-06 (2004-05: four). The total cost of these decisions, which will be funded in full by the Agency is £97,007 (2004-05: £104,000). The amount owed to the Department of Finance and Personnel in respect of early retirement costs prior to 31 March 2006 is £18,913 (2004-05: £38,000) and is included within creditors. In accordance with FReM the entire amount payable from 1 April 2006 to the date of retirement has been discounted using the Treasury rate of 2.8% and included within provisions for liabilities and charges (Note 13).

#### 4.1 Depreciation and other amounts written off tangible fixed assets

	2005-06 £000	2004-05 £000
Depreciation	4,004	3,314
Permanent diminution	258	1,962
Loss on disposal of fixed assets	24	229
	<u>4,286</u>	<u>5,505</u>

#### 4.2 Other operating costs

	2005-06 £000	2004-05 £000
Service charges	3,889	3,385
Travel and subsistence	2,063	2,209
Staff training	561	676
Contracted services	26,851	33,916
Accommodation and related services	2,543	2,520
Rent and service charges	116	397
PFI charges (Note 4.3)	2,827	2,872
Postage	1,989	2,547
Printing and stationery	2,100	2,364
Telecommunication	1,226	1,338
Information and technology costs	1,985	2,086
Medical adjudication	4,268	3,514
Management consulting	80	525
Miscellaneous expenditure	1,500	3,270
Notional costs (Note 4.4)	22,563	20,255
	<u>74,561</u>	<u>81,874</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:

	2005-06 £000	2004-05 £000
Land and buildings	36	316
Other operating leases	334	424
PFI charges	<u>2,827</u>	<u>2,872</u>

During the year 2001-02 the Agency entered into a PFI agreement for the provision of IT hardware and software solutions in relation to the processing of a number of benefits. The anticipated total rentals payable are over a 10 year period. The rentals are charged to the Operating Cost Statement over the period of the agreement. This agreement was renegotiated during 2003-04 resulting in a revised cost of £26.5m, the rentals being charged at £2.827m over the remaining seven years.

#### 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 costs are as follows:

	Note	2005-06 £000	2004-05 £000
Insurance	(a)	-	-
Rent		18,891	9,144
Audit fee	(b)	104	102
Other indirect charges & services	(c)	3,568	11,009
		<b>22,563</b>	<b>20,255</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 the Department of Finance and Personnel, has been calculated to reflect the cost of insurable risks. Notional insurance costs have been calculated to be £0.142m (2004-05: £0.191m). If included in the operating costs the deficit for the year would have been £3,554.075m (2004-05: £3,482.035m).
- (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:

	2005-06 £000	2004-05 £000
<b>Services provided and costs incurred by:</b>		
DSD headquarters on behalf of the Social Security Agency	1,460	1,200
Other departments	2,108	9,809
<b>Total indirect charges and services</b>	<b>3,568</b>	<b>11,009</b>

Services from other departments include telecommunications, personnel, training, finance and statistical services provided to the Agency by the Department of Finance and Personnel, 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	2005-06 £000	2004-05 £000
Benefits paid		1,747,280	1,739,270
Movement in provision for doubtful debt		5,503	1,187
Programme debt written off	5.2	9,515	5,070
Movement on CRU provision	13	26	75
Programme expenditure	6	1,762,324	1,745,602

Benefits funded by National Insurance Fund	Note	2005-06 £000	2004-05 £000
Benefits paid		1,569,291	1,508,672
Movement in provision for doubtful debt		240	(116)
Programme debt written off	5.2	1,507	830
Movement on CRU provision	13	10	(48)
Programme expenditure	7	1,571,048	1,509,338

Benefits funded by Social Fund	Note	2005-06 £000	2004-05 £000
Benefits paid		68,297	67,267
Movement in provision for doubtful debt		(272)	431
Programme debt written off	5.2	3,128	2,215
Movement on CRU provision		-	-
Programme expenditure	8	71,153	69,913

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## 5.2 Bad debts written off

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

	Note	2005-06 £'000	2004-05 £'000
<b>Non-contributory benefits</b>			
Disability benefit		1,974	568
Income support		5,688	3,467
Family benefits		2	7
Pension benefits		1,411	583
Other	5a	440	445
		9,515	5,070
<b>Contributory benefits</b>			
Pension benefits		496	224
Incapacity benefits		909	520
Other	5b	102	86
		1,507	830
<b>Social Fund</b>			
Funeral grants		2,890	2,063
Other	5c	238	152
		3,128	2,215
Total		14,150	8,115

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

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

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

## 6. Benefit expenditure paid from the Consolidated Fund

	2005-06			2004-05		
	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	27,743	-	27,743	15,646	-	15,646
- Disability benefits	892,746	-	892,746	861,532	-	861,532
- Industrial injuries benefits	25,869	-	25,869	25,103	-	25,103
- Income support for the elderly	4,222	(1)	4,221	4,734	-	4,734
- Pension credit	284,296	-	284,296	278,387	-	278,387
- Family benefits	18	-	18	79	-	79
<b>Income support - non-pensioners and Jobseeker's allowance</b>						
- Income support - non-pensioners	460,796	(3,088)	457,708	487,426	(3,556)	483,870
- Jobseeker's allowance (income based)	65,755	(48)	65,707	72,252	(50)	72,202
Job grant	879	-	879	443	-	443
Consolidated Fund Extra Receipt due to Department	-	-	-	-	(1,238)	(1,238)
	<u>1,762,324</u>	<u>(3,137)</u>	<u>1,759,187</u>	<u>1,745,602</u>	<u>(4,844)</u>	<u>1,740,758</u>

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

	2005-06			2004-05		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
<b>Pension benefits</b>						
Retirement pension						
- basic element	1,007,583	-	1,007,583	963,993	-	963,993
- additional component	192,039	-	192,039	173,736	-	173,736
Christmas bonus	3,501	-	3,501	3,325	-	3,325
Widow's benefit						
- basic element	19,355	-	19,355	20,981	-	20,981
- additional component	4,929	-	4,929	5,478	-	5,478
- widow's payment	4,416	-	4,416	4,452	-	4,452
Unemployment, Invalidity and Sickness benefits	(132)	-	(132)	(8)	-	(8)
<b>Unemployment, Incapacity and other benefits</b>						
Jobseeker's Allowance - Contributions Based	12,332	(9)	12,323	12,429	(8)	12,421
Incapacity Benefit						
- basic element	311,862	-	311,862	308,527	-	308,527
- additional component	10,677	-	10,677	12,115	-	12,115
<b>Family benefits</b>						
Maternity Allowance	4,486	-	4,486	4,310	-	4,310
	<u>1,571,048</u>	<u>(9)</u>	<u>1,571,039</u>	<u>1,509,338</u>	<u>(8)</u>	<u>1,509,330</u>

## 8. Benefit expenditure paid from the Social Fund

	2005-06			2004-05		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
Funeral payments	2,663	-	2,663	2,457	-	2,457
Cold weather payments	1	-	1	6	-	6
Maternity payments	4,512	-	4,512	4,574	-	4,574
Community care payments	13,505	-	13,505	12,661	-	12,661
Winter fuel payments	50,197	-	50,197	49,910	-	49,910
Other-Budgeting loans, Crisis loans and Funeral payment transfers to GB	275	-	275	305	-	305
	<b>71,153</b>	<b>-</b>	<b>71,153</b>	<b>69,913</b>	<b>-</b>	<b>69,913</b>

## 9 Tangible fixed assets

	Land & Buildings Excluding Dwellings £000	Information Technology £000	Furniture & Fittings £000	Transport Equipment £000	Motor Vehicles £000
<b>Cost or valuation</b>					
At 1 April 2005	14,849	12,655	376	5	27,885
Additions	-	274	-	-	274
Disposals	(13)	(260)	-	(5)	(278)
Revaluation	-	(475)	3	-	(472)
At 31 March 2006	14,836	12,194	379	0	27,409
<b>Depreciation</b>					
At 1 April 2005	651	5,305	340	4	6,300
Charge for year	397	3,595	12	-	4,004
Disposals	(4)	(245)	-	(4)	(253)
Depreciation on revaluation	-	(217)	3	-	(214)
At 31 March 2006	1,044	8,438	355	0	9,837
<b>Net book value</b>					
At 31 March 2006	13,792	3,756	24	0	17,572
At 31 March 2005	14,198	7,350	36	1	21,585

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 £0.258m (2004-05: £1.962m) has been taken to the operating cost statement for the year. The NBV at 31 March 2006 comprises of only owned assets. The NBV of Land is made up entirely of freehold.

Analysis of capital expenditure	2005-06	2004-05
Additions per Fixed Asset note	274	671
Opening Fixed Asset accrual	103	14
Closing Fixed Asset accrual	-	(103)
Total cash payments per Cashflow Statement	377	582

## 10. Debtors

### 10.1 Amounts falling due within one year

Administration	Note	2005-06 £000	2004-05 £000
Amounts due from the Department - financing admin	10a	14,691	-
Prepayments		6,068	5,476
Other admin debtors	10b	627	1,270
		<u>21,386</u>	<u>6,746</u>

Programme	Note	2005-06			2004-05		
		Gross Debtors £000	Provision for doubtful debt £000	Net Debtors £000	Gross Debtors £000	Provision for doubtful debt £000	Net Debtors £000
<b>Benefit overpayments</b>							
Contributory benefits		431	(73)	358	345	(7)	338
Non-contributory benefits		5,697	(1,026)	4,671	4,233	(390)	3,843
Social Fund		(30)	-	(30)	17	-	17
<b>Benefit prepayments</b>							
Contributory benefits		6,762	-	6,762	8,398	-	8,398
Non-contributory benefits		5,196	-	5,196	6,906	-	6,906
<b>Social Fund loans</b>							
Funeral loans		80	-	80	72	-	72
Other loans	10c	29,508	-	29,508	27,357	-	27,357
Amounts due from the Department - NIF Debtor	10d	18,472	-	18,472	-	-	-
Other programme debtors	10e	1,838	(361)	1,477	1,157	(375)	782
Amounts due from the Department - financing prog	10a	15,177	-	15,177	-	-	-
		<u>83,131</u>	<u>(1,460)</u>	<u>81,671</u>	<u>48,485</u>	<u>(772)</u>	<u>47,713</u>
<b>Total amounts falling due within one year</b>				<u>103,057</u>			<u>54,459</u>

- 10a. The Agency's attributable proportion of the Departmental bank balance for both administration and programme expenditure has been recognised in the Agency accounts for the first time for 2005-06 as 'Amounts due from the Department'. The relevant amounts stated above represent amounts due from the Department in relation to the financing of Agency activities. The centrally held Departmental bank balance is disclosed in the Departmental Resource Accounts.
- 10b. Other admin debtors include an amount of £0.444m in relation to suspense accounts for the year ended 31 March 2006 (2004-05: £1.172m). These suspense account balances were included within the Agency accounts for the first time in 2004-05. Previously these suspense account balances were consolidated within the DSD Resource Accounts.
- 10c. Other Social Fund loans consist of: Budgeting Loans £23.862m (2004-05: £20.672m) and Crisis Loans £5.646m (2004-05: £6.685m).
- 10d. Part of the Agency's attributable proportion of the centrally held bank balance represents amounts due to the Department/ Agency in respect of NIF benefits. This balance represents amounts due from Her Majesty's Revenue and Customs (HMRC). This is the first year that the Agency has shown amounts due from HMRC in respect of NIF benefits. Previously this was disclosed only in the Departmental Resource Accounts.
- 10e. Other programme debtors consist of: Child Support Agency £0.023m (2004-05: £0.289m), Overseas Governments £0.076m (2004-05: £0.084m), Compensation Recovery Unit £0.786m (2004-05: £0.714m), Bad Debt Provision £0.361m (2004-05: £0.375m), others £0.104m (2004-05: £0.07m) and unadjudicated debt of £0.849m (see below).

In 2005-06 the Agency has undertaken an exercise to value the benefit overpayment debt not yet notified to Debt Management Unit and held at local and central benefit offices. This valuation is based on a stock count at 31 March 2006 and historical trends of average overpayment values. This has been valued in total at £8.488m and is disclosed as £0.849m in other programme debtors less than one year and £7.639m in other programme debtors falling due after more than one year (see note 10.2).

## 10.2 Amounts falling due after more than one year

Administration	2005-06 £000	2004-05 £000
Prepayments	-	-
Other debtors	-	-
	-	-

Programme	Note	2005-06			2004-05		
		Gross Debtors £000	Provision for doubtful debt £000	Net Debtors £000	Gross Debtors £000	Provision for doubtful debt £000	Net Debtors £000
<b>Benefit overpayments</b>							
Contributory benefits		2,444	(929)	1,515	2,079	(763)	1,316
Non-contributory benefits		51,276	(21,536)	29,740	39,592	(16,650)	22,942
Social Fund		-	-	-	-	-	-
<b>Benefit prepayments</b>							
Contributory benefits		-	-	-	-	-	-
Non-contributory benefits		-	-	-	-	-	-
<b>Social Fund loans</b>							
Funeral loans		4,552	(2,439)	2,113	4,817	(2,667)	2,150
Other loans	10f	18,930	(177)	18,753	17,270	(222)	17,048
Other programme debtors	10g	7,639	-	7,639	-	-	-
		<u>84,841</u>	<u>(25,081)</u>	<u>59,760</u>	<u>63,758</u>	<u>(20,302)</u>	<u>43,456</u>
<b>Total amounts falling due after more than one year</b>				<b>59,760</b>			<b>43,456</b>

10f. Other Social Fund loans consist of: Budgeting Loans £10.995m (2004-05: £9.493m) and Crisis Loans £7.935m (2004-05: £7.777m).

10g. Other programme debtors consists of £7.639m relating to the valuation of benefit overpayment debt not yet notified to Debt Management Unit and held at local and central offices (see note 10.1).

### 10h. Potential debt - Compensation Recovery Unit (SSA)

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

Certificates of recoverable benefit are issued upon request to compensators (primarily insurance companies) where a compensation claim is made as a result of an accident or injury. Until there is acceptance of liability by the compensator and a payment made for compensation, the 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 to 31 March 2006, £8.375m (2004-05 £7.899m), on an annualised basis has been included in the Operating Cost Statement as a reduction to Gross Expenditure. There is no information to suggest that this level of cash generation will differ significantly in the next financial year.

## 11. Cash with paying agents

	Note	2005-06 £000	2004-05 £000
Alliance & Leicester Commercial Bank plc	11a	-	22,507
		-	22,507

11a As at 31 March 2006 the balance held with the Alliance & Leicester Commercial Bank plc (ALCB plc) is a credit balance of £5.470m disclosed within Other programme creditors as per Note 12b.

## 12. Creditors - amounts falling due within one year

Administration	Note	2005-06 £000	2004-05 £000
Accruals		4,326	5,313
Other taxation and social security		4	4
Other creditors	12a	53	620
		<b>4,383</b>	<b>5,937</b>

Programme	Note	2005-06 £000	2004-05 £000
<b>Benefit accruals</b>			
Contributory benefits		16,158	20,768
Non-contributory benefits		24,455	22,411
Social Fund		87	102
Encashment control		3,161	4,574
Other programme creditors	12b	9,899	3,355
		<b>53,760</b>	<b>51,210</b>
<b>Total amounts falling due within one year</b>		<b>58,143</b>	<b>57,147</b>

12a. Other administration creditors include £39k (2004-05: £582k) for suspense account balances for the year ended 31 March 2006. These suspense account balances were included within the Agency accounts for the first time in 2004-05. Previously these suspense account balances were consolidated within the DSD Resource Accounts.

12b. Other programme creditors consist of HMRC £0.465m (2004-05: £0.287m), Inter-Govt £0.072m (2004-05: £0.044m), DEL £0.293m (2004-05: £0.230m), Health Service £0.707m (2004-05: £0.600m), Overseas Governments £0.014m (2004-05: £0.014m), Third Party £2.734m (2004-05: £1.914m), Sundry £0.144m (2004-05: £0.266m) and Alliance & Leicester Commercial Bank £5.470m.

### 13. Provisions for liabilities and charges

	2005-06			2004-05		
	Administration £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Balance as at 1 April	974	1,307	2,281	559	1,287	1,846
Provided in year	439	37	476	788	20	808
Provision not required written back	-	-	-	(61)	-	(61)
Under Provision	(174)	-	(174)	-	-	-
Provision utilised in the year	(264)	-	(264)	(312)	-	(312)
Balance as at 31 March	975	1,344	2,319	974	1,307	2,281

**Administration provisions include:**

- (i) Early departure costs £138k (2004-05: £117k).
- (ii) Personal injury cases £552k (2004-05: £565k).
- (iii) Equal opportunity cases £285k (2004-05: £292k).

**Programme provisions include:**

- (i) Compensation Recovery Unit cases appealed and unprocessed £1,344k (2004-05: £1,307k). 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 have not been processed. The Agency provides for the estimated adjustment to recoveries in respect of unprocessed appeals.

## 14. Reconciliation of movement in taxpayers' equity

### 14.1 General fund

	Note	2005-06			2004-05		
		Administration £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Balance as at 1 April		12,327	61,159	73,486	16,747	34,554	51,301
Net cash inflow from financing	15.5	139,474	3,426,547	3,566,021	134,595	3,346,606	3,481,201
Net cost of operations		(150,562)	(3,403,371)	(3,553,933)	(160,112)	(3,321,732)	(3,481,844)
Notional costs	4.4	22,563	-	22,563	20,255	-	20,255
Cost of capital		707	1,992	2,699	842	1,731	2,573
Balance as at 31 March		<u>24,509</u>	<u>86,327</u>	<u>110,836</u>	<u>12,327</u>	<u>61,159</u>	<u>73,486</u>

### 14.2 Revaluation reserve

	2005-06		2004-05	
	£000	£000	£000	£000
Balance as at 1 April		9,093		9,089
Surplus on revaluation of gross current replacement cost	(14)		27	
Deficit previously unrecognised taken to operating cost statement	-		-	
Charge for current cost backlog depreciation on revaluation	12		(23)	
		(2)		4
Balance as at 31 March		<u>9,091</u>		<u>9,093</u>

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

	Notes	2005-06			2004-05
		Administration £000	Programme £000	Total £000	Total £000
Net operating cost		(150,562)	(3,403,371)	(3,553,933)	(3,481,844)
Adjustment for non-cash transactions	15.7	27,556	1,992	29,548	28,333
Adjustment for movements in working capital other than cash	15.8	(16,091)	(25,168)	(41,259)	(27,108)
<b>Net cash outflow from operating activities</b>		<b>(139,097)</b>	<b>(3,426,547)</b>	<b>(3,565,644)</b>	<b>(3,480,619)</b>

### 15.2 Analysis of capital expenditure

	Notes	2005-06			2004-05
		Administration £000	Programme £000	Total £000	Total £000
Payments to acquire fixed assets	9	(377)	-	(377)	(582)
<b>Net cash outflow from investing activities</b>		<b>(377)</b>	<b>-</b>	<b>(377)</b>	<b>(582)</b>

### 15.3 Analysis of financing

	Notes	2005-06			2004-05
		Administration £000	Programme £000	Total £000	Total £000
From Consolidated Fund	15.5	139,474	3,426,547	3,566,021	3,481,201
Increase/(decrease) in cash		139,474	3,426,547	3,566,021	3,481,201

### 15.4 Reconciliation of the net cost of operations to net cash outflow from continuing operating activities

	2005-06			2004-05
	Administration £000	Programme £000	Total £000	Total £000
Cost of operations before cost of capital	(149,855)	(3,401,379)	(3,551,234)	(3,479,271)
Depreciation	4,004	-	4,004	3,314
Loss on disposal of fixed assets	24	-	24	229
Notional costs (Note 4.4)	22,563	-	22,563	20,255
Permanent diminution of fixed assets	258	-	258	1,962
(Increase)/decrease in debtors and prepayments	(14,640)	(50,262)	(64,902)	(9,526)
(Increase)/decrease in paying agents	-	22,507	22,507	(9,733)
Increase/(decrease) in creditors and accruals	(1,452)	2,550	1,098	(8,284)
Increase/(decrease) in provisions	1	37	38	435
<b>Net cash outflow from continuing operating activities</b>	<b>(139,097)</b>	<b>(3,426,547)</b>	<b>(3,565,644)</b>	<b>(3,480,619)</b>

## 15.5 Reconciliation of financing

	2005-06			2004-05
	Administration £000	Programme £000	Total £000	Total £000
Request for Resources A	124,783	1,700,846	1,825,629	1,953,774
National Insurance Fund	-	1,616,709	1,616,709	1,453,649
Social Fund	-	75,344	75,344	73,778
Amounts due to Consolidated Fund - financing	14,691	15,176	29,867	-
Amounts due to Consolidated Fund - financing NIF	-	18,472	18,472	-
Net cash inflow from financing	<u>139,474</u>	<u>3,426,547</u>	<u>3,566,021</u>	<u>3,481,201</u>

There were no reconciling items arising from the 2004-05 Accounts.

## 15.6 Changes in cash and cash equivalents

The Agency's attributable proportion of the Departmental bank account is brought into the reconciliation of financing for the first time in 2005-06. Previously the centrally held Departmental bank account was shown in the DSD Resource Accounts.

## 15.7 Non cash transactions

	2005-06			2004-05
	Administration £000	Programme £000	Total £000	Total £000
Depreciation	4,004	-	4,004	3,314
Permanent diminution of fixed assets	258	-	258	1,962
Loss on disposal of fixed assets	24	-	24	229
Notional costs (Note 4.4)	22,563	-	22,563	20,255
Cost of capital	707	1,992	2,699	2,573
Total non-cash transactions	<u>27,556</u>	<u>1,992</u>	<u>29,548</u>	<u>28,333</u>

## 15.8 Movement in working capital other than cash

	2005-06			2004-05
	Administration £000	Programme £000	Total £000	Total £000
(Increase)/decrease in debtors and prepayments	(14,640)	(50,262)	(64,902)	(9,526)
(Increase)/decrease in paying agents	-	22,507	22,507	(9,733)
Increase/(decrease) in creditors and accruals	(1,452)	2,550	1,098	(8,284)
Increase/(decrease) in provisions	1	37	38	435
	<u>(16,091)</u>	<u>(25,168)</u>	<u>(41,259)</u>	<u>(27,108)</u>

## 16. Capital commitments

There were no capital commitments contracted for but not provided at 31 March 2006 (2005: £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.

	2005-06 £000	2004-05 £000
<b>Obligations under operating leases comprise:</b>		
<b>Land and buildings</b>		
Within one year	-	-
Between two and five years	26	26
After five years	279	279
	<u>305</u>	<u>305</u>
<b>Other</b>		
Within one year	5	5
Between two and five years	91	181
After five years	-	-
	<u>96</u>	<u>186</u>

## 18. Commitments under PFI contracts

The payments to which the Agency is committed during 2005-06, analysed by the period in which the commitment expires, is as follows:

	2005-06 £000	2004-05 £000
Within one year	-	-
Between two and five years	-	-
After five years	2,827	2,872
	<u>2,827</u>	<u>2,872</u>

See note 4.3 for additional disclosure.

## 19. Contingent liabilities disclosed under FRS12

Following the suspension of Deficiency Notices from 1996-97 there was a significant number of people who were unaware of a possible shortfall in the level of their State Pension. Accordingly the Reinstatement of Deficiency Notices project was created to notify those pensioners who reached State Pension age since 06 April 1997 who may be able to improve their State Pension, or qualify for a basic State Pension, by paying voluntary class 3 National Insurance contributions. As a result of the work of this project throughout 2005-06 approximately £800k (2004-05: £nil) has been paid out to customers to restore their State Pension position. In addition Special Payments of £17,429 (2004-05: £nil) relating to 194 cases have been paid out as interest.

Estimates for further costs for State Pension arrears likely to be incurred in restoring the remaining customers cannot be measured with sufficient reliability to enable an accurate value to be determined. However the Agency considers an estimate of net arrears of £590k (2004-05: £735k) and an associated interest payment (Special Payment) of approximately £68K (2004-05: £55k) as an indication of the amounts likely to be due.

## 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 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
Administration and other current	2005 - 06	200,087	168,356	166,253
Capital	2005 - 06	27,309	11,030	274
Non Cash	2005 - 06	6,218	4,530	5,154
Benefits paid from the Northern Ireland Consolidated Fund	2005 - 06	1,568,282	1,884,719	1,762,324
Benefits paid from the Northern Ireland National Insurance Fund	2005 - 06	1,640,957	1,622,541	1,571,048
Benefits paid from the Social Fund	2005 - 06	79,909	75,344	71,153

## 21. Fees and charges information

**Financial objective:** Full cost recovery

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

	2005-06 £000	2004-05 £000
Full cost	(82)	(148)
Income	86	164
Surplus/(Deficit)	4	16

Income from pre-set transaction charges was sufficient to cover the costs incurred in administering the Mortgage Interest Direct Scheme (MIDS) during the 2005-06 year.

The methodology for calculating the full cost for MIDS (administration 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 2005-06.

## 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 program 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 the Child Support Agency, Housing Division and the Urban Regeneration 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, the Department of Finance and Personnel and the Department for Works and Pensions.

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

	2005-06 £000	2004-05 £000
Losses in relation to Post Office Card Accounts Total (2906 cases)	365	-

### Post Office Card Accounts (POCA)

The use of Post Office Card Accounts (POCA) were established in April 2003 as part of the Payment Modernisation Programme. During the operation of these card accounts it was discovered that certain benefit payments were being paid into the wrong customer card account. Accordingly corrective action was taken by the Agency to reduce the possibility of further incorrect payments and to recover those erroneous payments already made.

As at 31 March 2006 an amount of £20k relating to 150 cases, affecting 75 customers was outstanding (2004-05: approximately £400k relating to 5,000 cases affecting 2,000 customers). During the 2005-06 year £365k of incorrect benefit payments were written off as a cash loss (2004-05: £nil) as it was deemed that this money was no longer recoverable due to legislative and procedural issues. The Agency is continuing to pursue recovery action for repayment of incorrect card account payments.

## 24. Pension Credit

It has been found that in a number of Pension Credit cases the customer's entitlement to State Pension has not been taken into account. State Pension is a contributory based benefit and takes precedence over an income-related benefit such as Pension Credit. Pension Credit legislation includes a provision that where State Pension is not claimed then an amount of 'notional State Pension' equal to the amount of State Pension which would be claimable is deducted from the Pension Credit award.

In order to identify the Pension Credit cases that could be impacted, a system scan was commissioned during 2005-06. This scan listed those Pension Credit awards where there was no State Pension recorded for either the claimant or their partner. The results indicated that approximately 9,800 Northern Ireland customers could be affected. It is anticipated that of this 9,800 approximately 3,000 customers will be invited to make a claim for State Pension. The Pension Credit award for these 3,000 customers will need to be revised, and the Pension Credit awards for the remaining 6,800 customers will also need to be updated to reflect a nil entitlement to State Pension.

The Agency is currently working closely with the Department for Work and Pensions colleagues to develop processes to take the appropriate corrective action on the cases identified. Enhanced procedures have also now been put in place for Pension Credit staff to ensure that the correct State Pension entitlement is taken into account in the calculation of Pension Credit entitlement.



# Report by the Comptroller and Auditor General for Northern Ireland



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## Part 1: Introduction and Executive Summary

### Introduction

- 1.1 The Social Security Agency is an Executive Agency within the Department for Social Development (DSD).
- 1.2 In 2005-06, the Agency accounted for expenditure of £3.4 billion on social security benefits, which includes £1.76 billion on non-contributory social security benefits, £1.57 billion on contributory social security benefits and £71 million on social fund benefit expenditure.
- 1.3 This report:
- summarises the results of my audit and sets out the reasons for my qualified audit opinion; (See paragraph 1.4 to 1.5);
  - sets out the background of the Agency, its internal arrangements for monitoring and reporting including the Agency's decision making and accuracy findings (Part 2);
  - reviews the results of my audit of expenditure on non-contributory and contributory social security benefits and social fund benefits administered by the Social Security Agency (Part 3); and
  - explains the reason for removing the previous qualification on benefit overpayment debtors (Part 4).

### Executive Summary

#### On the reasons for my qualified audit opinion

- 1.4 I have qualified my audit opinion on the account because of significant levels of estimated fraud and error in certain social security benefits.

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#### Fraud and Error in Social Security Benefits

- 1.5 The Agency's estimate of fraud and error, which includes both customer fraud and error and the Agency's internal error, was £137 million (4.0 per cent of all benefit expenditure) for 2005-06. This estimate is based on a programme of reviews.

#### Debtor Balances- removal of previous qualification

- 1.6 In previous years I qualified my audit opinion as there was significant uncertainty over the accuracy and completeness of the amounts due to the Agency in respect of benefit overpayments and the Agency were unable to provide me with a sufficient audit trail to test the balances included. In 2005-06 the Agency undertook a significant amount of work on these debtor balances and I have been satisfied that the amounts included as overpayment debtors are not materially misstated, consequently I have not qualified my audit opinion on this issue this year.

## Part 2: Background to the Agency

### Introduction

- 2.1 The Social Security Agency was established as an Executive Agency in July 1991 under the “Next Steps” Initiative. The Agency’s principal activities are outlined in the Agency’s Annual Report.
- 2.2 This part of the report provides details of the:
  - accounting arrangements for the different types of social security benefit expenditure;
  - Agency’s internal arrangements for monitoring and reporting; and
  - Agency’s decision making and caseload accuracy findings for 2005-06.

### Accounting arrangements

- 2.3 The Agency accounts will form part of the 2005-06 DSD Resource Account.
- 2.4 In 2005-06 the Agency accounted for expenditure of £3.4 billion on social security benefits, which includes £1.76 billion for benefits funded by the Northern Ireland Consolidated Fund, £1.57 billion for benefits funded from the Northern Ireland National Insurance Fund and £71 million for benefits funded from the Social Fund.
- 2.5 The Northern Ireland National Insurance Fund provides for expenditure on benefits and allowances where individuals have paid sufficient National Insurance contributions and met other qualifying conditions. The Agency is responsible for administering the contributions – based benefits paid to individuals on behalf of Her Majesty’s Revenue and Customs (HRMC) (previously known as the Inland Revenue). A separate White Paper Account will be produced for the 2005-06 Northern Ireland National Insurance Fund and the National Audit Office (NAO) will certify and report on the Account in due course.
- 2.6 The Social Fund provides discretionary and regulated grants and interest free loans to meet the needs, in certain circumstances, of customers and people on low income. A separate White Paper Account will also be produced for the 2005-06 Social Fund which I will certify and report on in due course.

### Agency arrangements for monitoring and reporting

- 2.7 The Chief Executive of the Social Security Agency, through the Standards Assurance Unit (the Unit), is responsible for monitoring and reporting on the standards of decision making. He also reports on the caseload accuracy for all major benefits. To oversee the monitoring arrangements and to provide independent assurance on the Unit’s findings, a joint Standards Committee for the Social Security and Child Support Agencies was set up in 1999. The Department for Social Development is required by legislation to prepare a report on the Committee’s findings on standards and a copy of the 2005-06 report, due for publication later in 2006, will be placed in the Northern Ireland Assembly library. The Committee examines regular reports from the Standards Assurance Unit.
- 2.8 As in previous years, the Unit carried out two exercises to establish the standard of decision making and the level of loss through fraud and error within the benefit system. The exercises are:
  - Financial Accuracy – The Unit reports on the financial accuracy of various benefits. This is undertaken by staff as a continuous programme of measurement of the level of internal Agency error in the main social security benefits, with performance being measured against targets in the Agency’s Annual Report. The financial accuracy check looks at all the evidence,

including retrospective evidence that is available to substantiate the amount of benefit awarded; and

- Benefit Review - The Agency has established a benefit review process to provide a programme of measurement based on an in-depth examination of the circumstances of random samples of claimants, to determine the extent of external claimant fraud and error in various social security benefits.

In addition the Agency calculates the percentage of cases without error (caseload accuracy) and those with a correct decision (decision making standard). This information is used to determine the financial accuracy calculation.

- 2.9 The Agency has provided me with the results of the monitoring findings, in comparison with its internal benchmark standards, in relation to the standard of decision making and caseload accuracy for 2005-06.

## Decision Making and Caseload Accuracy Findings

- 2.10 Figure 1 summarises caseload accuracy and decision making outturn against benchmark standards for the four main non-contributory benefits.

**Figure 1: Decision Making and Caseload Accuracy 2005-06**

	Decision Making			Caseload Accuracy		
	Benchmark Standard	Performance		Benchmark Standard	Performance	
	2005-06	2005-06	2004-05	2005-06	2005-06	2004-05
Income Support	92%	91%	89%	93%	93%	92%
Jobseeker's Allowance	95%	95%	93%	95%	98%	96%
Disability Living Allowance	90%	87%	86%	90%	87%	86%
Pension Credit	92%	83%	79%	92%	89%	85%

**Source:** Figures provided by the Social Security Agency

## Income Support, Jobseekers Allowance and Disability Living Allowance

- 2.11 I note that the benchmark standards achieved by the Agency were Jobseekers Allowance decision making and caseload accuracy and Income Support caseload accuracy. The benchmark standard for Income Support decision making was also met within the statistical tolerance. However, for those benefits not achieving the standards, namely Disability Living Allowance and Pension Credit, performance has improved from the previous year. Whilst I welcome the increasing levels of performance, it is my view that error rates of 5 to 13 per cent continue to be unacceptably high. I made a number of recommendations regarding levels of decision making in respect of Disability Living Allowance in my recent report "Decision Making and Disability Living Allowance Report (HC 43 NIA 185/03)" which was published in June 2005. I will continue to monitor the levels of performance for these benefits and hope to see further improvements.
- 2.12 The Agency told me it acknowledges that improvements in performance are required particularly for Disability Living Allowance and Pension Credit (see paragraph 2.14 below). Furthermore the Agency has advised me that the specific recommendations contained in the NIAO report (referred to in paragraph 2.11) relating to improving decision making standards have been implemented. The Agency also advised that an action plan designed to drive the improvement

required is now in place and it will monitor performance against this action plan. In the other benefits the Agency noted that it has improvement plans in place to drive up standards.

## Pension Credit

- 2.13 Pension Credit was introduced on 6th October 2003 and has replaced Minimum Income Guarantee (Income Support for people aged 60 and over). 2004-05 was the first full year of payments for this benefit and it is also the first time it has been subject to the decision making and caseload accuracy process. Whilst I acknowledge that the performance levels for both caseload accuracy and decision making have increased by four per cent on the 2004-05 figures and understand that any new benefit will have initial difficulties as staff become familiar with the rules of administration, I am disappointed and remain concerned with the poor performance levels achieved in 2005-06.
- 2.14 The Agency told me that whilst the recovery plan implemented in 2004-05 had comprehensively addressed problems with volumes of work, the quality and accuracy of work was still compromised to some extent by the challenge of administering a relatively new benefit with complex rules, and using staff who were still in the process of building up experience levels. The Agency advised that during 2005-06 it continued to implement a systematic approach to improve the accuracy of Pension Credit payments. The Agency confirmed that an integral part of this process was to build and consolidate the experience of processing staff and this particularly involved local management focussing on the development of a learning culture whereby improvement of staff skills would directly translate into an improved quality of work. The Agency indicated that the tangible results of this work are shown in Pension Credit's financial accuracy level of 96.2 per cent against the target of 96 per cent for 2005-06 and noted that whilst the targets for decision-making and case accuracy were not achieved, both areas showed substantial improvement over last year's performance. The Agency recognises the need to improve further on the performance levels achieved in 2005-06. In response to this challenge the Agency told me that in the second half of the year management started the development of a comprehensive Accuracy Improvement Plan to improve on the quality gains made this year, this plan includes activities with a direct impact on accuracy and indirect activities which facilitate improvement. The Agency advised that, as part of the direct action it has established a separate team to check processing of all new Pension Credit claims and select high risk cases. The Agency also told me that it has implemented the actions which will impact indirectly on accuracy including the mentoring of processing staff by a newly established learning support team using management information about common error types and trends. The Agency informed me it has now appointed an Accuracy Champion to oversee the feedback of errors detected by the checking team with a view to improving accuracy at the front line. The Agency indicated that the Accuracy Improvement Plan is being reviewed regularly and its impact measured against in-year milestones to monitor performance consistently. The Agency anticipates that through this work the initial introductory problems associated with administering a new complex benefit will gradually diminish.

## Part 3: Qualified Audit Opinion Arising from the Level of Estimated Fraud and Error in Social Security Benefits

### Introduction

- 3.1 This part of my report sets out the results of my audit of the following expenditure:
- non-contributory and means tested social security and social fund benefits expenditure administered by the Social Security Agency; and
  - contributory social security benefits administered by the Social Security Agency on behalf of the Northern Ireland National Insurance Fund.
- 3.2 In 2005-06 the Agency accounted for £3.4 billion on Social Security benefits including Income Support £462 million, Jobseeker's Allowance £79 million, Disability Living Allowance £583 million, Attendance Allowance £187 million, Carer's Allowance £82 million, Pension Credit £284 million, Retirement Pension & Bereavement Benefits £1,228 million, Incapacity Benefit £322 million and Social Fund £71 million. My audit of this expenditure examined the work undertaken by the Agency to establish the level of loss through fraud and error within the benefit system.

### Audit approach

- 3.3 As noted in Part 2 of this report, the Agency's Standards Assurance Unit examines statistical samples of all benefit awards on a continuous basis. From these samples they are able to monitor the accuracy of payments made, the quality of decision making and estimate the gross monetary value of error. The Unit also completes a programme of benefit reviews which are designed to produce a reasonable estimate of the level of customer fraud and error in benefit awards.
- 3.4 As part of our audit work in this area my staff examined and reperformed a sample of the Unit's non-contributory and social fund case work during the year for both the caseload accuracy and decision making and the benefit review exercises. I can report that I am content that the work undertaken continues to be of good standard and the results produced by the Unit are both accurate and complete.
- 3.5 The benefit review reports give an estimate of the levels of customer fraud and error. The information included within benefit review reports enables the Agency to consider how effective their processes have been at addressing these levels over time. As explained at paragraph 2.8, the Agency also carries out financial accuracy exercises which estimate levels of internal Agency error.
- 3.6 I have noted in paragraph 2.5 that the Agency administers contributory benefit expenditure on behalf of HMRC (previously known as the Inland Revenue). As part of their work on the Northern Ireland National Insurance Fund, NAO also examine and reperform a sample of contributory benefit cases and have indicated that they consider the work of the Unit to be of a good standard.

### Total levels of estimated fraud and error

- 3.7 In order to assist me in determining my opinion on the Agency's accounts, I have considered (see Figure 2) the Agency's estimate of the total level of fraud and error for 2005-06 which indicates a level of £137 million. I welcome the Agency's work in estimating total levels of fraud and error and note that the Agency intends to disclose this information in a note to the Annual Accounts in future years.

- 3.8 The level of fraud and error of £137 million represents 4.0 per cent of total benefit expenditure for the year, indicating a small increase from the 3.95 per cent of total benefit expenditure reported in 2004-05. I have used the Agency's estimate of total levels of fraud and error for 2004-05 as those are more comparable than the figures I stated in my report last year.

**Figure 2: Estimated level of fraud and error 2005-06**

	Benefit	2005-06 £million	% of benefit expenditure	2004-05# £million	% of benefit expenditure
<b>Non-contributory</b>	Income Support	25.6*	5.4	24.2*	5.0
	Jobseeker's Allowance	4.1*	4.4	6.3*	6.4
	Disability Living Allowance	54.7**	9.5	52.2**	9.5
	Attendance Allowance	4.2***	2.2	5.7***	3.1
	Carer's Allowance	7.5**	9.0	7.7**	9.0
	Pension Credit	16.3*	5.7	15.2*	5.5
<b>National Insurance Fund Contributory</b>	Retirement Pension & Bereavement Benefits	9.2***	0.8	4.7***	0.4
	Incapacity Benefit	13.8**	4.3	13.8*	4.3
<b>Social Fund</b>	Payments, grants and loans	1.6***	2.3	1.5***	2.1
	<b>TOTAL</b>	<b>137.0</b>		<b>131.3</b>	
	<b>% of benefit expenditure</b>		<b>4.00%</b>		<b>3.95%</b>

\* Benefit Review undertaken in year

\*\* No Benefit Review undertaken during 2005 – figures estimated by applying percentage error from most recent Benefit Review

\*\*\* Financial Accuracy figure only (i.e. internal Agency error only)

# Restated, where necessary, to reflect most recent figures available and enhance comparability

**Source:** Figures provided by the Social Security Agency

- 3.9 I remain concerned with the overall levels of fraud and error. I recognise the considerable efforts and resources committed by the Agency to address fraud and error but it is my view that these levels continue to be unacceptably high and can be reduced.
- 3.10 In response to the reported levels of fraud and error the Agency has told me that reducing losses from fraud and error is one of the Social Security Agency's five key priorities.
- 3.11 The Agency emphasised that different factors contribute to fraud and error and referred to the comments made in a report by the House of Commons Committee on Public Accounts (the Committee) "Tackling the Complexity of the Benefits System" published in April 2006 (HC 765). The Agency noted that in this report the Committee said that "the complexity of the benefits system is a key factor affecting performance" and that "the consequences of complexity include high levels of error by staff and customers. It also helps create a climate in which fraud against the benefit system can more easily take place and go undetected." Furthermore the Agency highlighted that the Committee had considered the factors that are required to improve the levels of fraud and error within the complexity of the benefit system specifically stating, that "Managing complexity requires well trained staff supported by accessible guidance and assistance and efficient information technology systems". The Agency also referred to an earlier report from the Committee "Fraud and Error in benefit expenditure" (HC411 published in October 2005) where it was stated that "the complexity of means tested benefits remains a key problem".... "but fraud and error are unlikely ever to be brought under proper control without further action to simplify the rules". The Agency highlighted that simplification of the benefit system and improvements to existing information technology are not within the Agency's control.

- 3.12 The Agency also indicated that while the overall value of error reported has increased from £131.3m in 2004-05 to £137m in 2005-06 the actual percentage this represents of total benefit expenditure remains roughly the same at 4 per cent and the increased monetary amount is mainly due to increased benefit expenditure.
- 3.13 The Agency advised that it has in place programme protection plans to improve accuracy and identify areas for action to reduce levels of customer fraud and error and in implementing these plans it has checked almost 209,000 cases of Income Support, Jobseeker's Allowance, Disability Living Allowance, Incapacity Benefit, Retirement Pension and Pension Credit between April 2005 and March 2006 in order to prevent and detect fraud and error. The Agency noted that this has resulted in a change in the amount of benefit paid, totalling £38.2m and also during this same period over 2,600 fraud cases were successfully concluded and benefit was adjusted to the value of £13.3m. The Agency also indicated that in addition 985 benefit fraud sanctions such as prosecutions, Administrative Penalties and cautions were imposed.
- 3.14 The Agency told me it is continuing to pursue vigorously its strategy of identifying and removing fraud and error that has penetrated the system while at the same time securing the gateways into the benefits system. The Agency emphasised that it should also be recognised that external fraud and error is not within the direct control of the Agency and there are therefore limitations on how much this can be effectively reduced. The Agency also told me that improvement plans are in place across all benefits to drive up standards and reduce the levels of official error. The Agency also referred me to the 2004-05 report of the Comptroller and Auditor General for the United Kingdom on the resource accounts of the Department for Work and Pensions in order to contextualise the issues facing it in relation to reducing fraud and error within a complex benefit system. In particular the Agency noted that in qualifying the accounts of the Department for Work and Pensions for the sixteenth year in succession, the Comptroller and Auditor General for the United Kingdom also commented on "those aspects of complexity in the benefit system which I have long maintained are the main cause of the repeated qualification".

## Disability Living Allowance

- 3.15 Figure 2 indicates that the level of fraud and error for this benefit represents 9.5 per cent of the expenditure on this benefit. Whilst I recognise that this is a complex benefit to administer I am concerned that the level of fraud and error remains high. As noted in paragraph 2.11, I have recently issued a report on this benefit where I made a number of recommendations regarding the levels of error in the decision making process. The Agency has advised me that it has implemented specific recommendations detailed within the NIAO report and has put in place an action plan to improve performance.
- 3.16 I note that the most recent benefit review for this benefit related to 2003-04. I also note that the majority of cases where customer error was found were categorised as 'benefit correct, change in circumstances'. This is a new category which identifies cases where a customer's condition has improved or deteriorated but the customer has not notified the Agency of their change in condition and therefore the benefit payment is incorrect. The Agency further clarified that this category included cases where a customer's condition had improved or deteriorated but at the time of the payment the customer was not deemed at fault in not recognising the gradual change of circumstances – the resulting payments are therefore in excess of, or less than, the actual entitlement due, but still procedurally correct. My staff have had a number of discussions with Agency staff regarding this category of error and in particular methods the Agency can employ to ensure customers are more actively encouraged to inform the Agency of any change in their circumstances. In response to this issue, the Agency told me it has adopted a risk-based approach and worked with statisticians to identify the existing customers most likely to fall within this category. In April 2006 the Agency indicated that a programme has commenced which over the next 3 years will see these 'at risk' customers contacted either for a formal review or through a mailshot.

I welcome the action taken by the Agency and will monitor the impact on the levels of error for this very important and complex benefit.

## Financial Accuracy

- 3.17 Figure 3 indicates the total estimated level of internal Agency error reported by the Agency's Financial Accuracy process. This process is a continuous programme of measurement of the level of internal Agency error in the main social security benefits. Figure 3 also contains the estimated monetary value of error and the financial accuracy correctness as a percentage of expenditure for each benefit and the targets set by the Agency for the main benefits.
- 3.18 The 2005-06 Financial Accuracy programme has indicated an estimated level of internal error of £79.8 million. Although there has been no change in financial amount and in percentage of error from 2004-05, I am concerned by the level of internal Agency errors as this type of error is within the Agency's control and significant resources have been committed to reducing these errors. I asked the Agency to comment on the seemingly static position in the levels of internal Agency error and the Agency told me that it recognises the concern of the Comptroller and Auditor General regarding the level of internal error. The Agency indicated that the complexity of the Benefits system is one issue contributing to staff making mistakes as highlighted by the Committee of the Public Accounts (see paragraph 3.11) but, nevertheless the Agency is pursuing this problem and is working steadily to drive up quality standards. The Agency told me that in 2005-06, very demanding targets were set for financial accuracy. The Agency highlighted that, for example, Income Support, Jobseeker's Allowance, Retirement Pension and Incapacity Benefit had financial accuracy targets set at 99 per cent and that Income Support, Attendance Allowance, Carer's Allowance, Incapacity Benefit and Social Fund all exceeded 97 per cent financial accuracy. The Agency also stated that in reality it is a very difficult task to maintain these levels of financial accuracy let alone improve them especially in the context of staff headcount reductions. The Agency also pointed out that the financial accuracy calculations is a statistical estimating process based on random sampling and sample sizes used have a tolerance of around +/- 1 %, so actually measuring the limited improvements now possible in most benefits is becoming increasingly difficult to do with statistical precision. The Agency feels that overall the financial accuracy results do reflect the major effort that has been made to improve accuracy across all benefits and realistically fulfils expected performance improvement year by year. However, the Agency does concede that there is still room for improvement in Disability Living Allowance and Pension Credit and are working to that objective. The Agency told me that in both of these benefits a lot of the error lies in the caseload and efforts are being focussed on 'at risk' cases to seek improvement.
- 3.19 I would encourage the Agency to continue to consider methods and processes to reduce the levels of these errors and I would expect to see a decreasing trend when I consider these figures during my 2006-07 audit.
- 3.20 Figure 3 also indicates that six financial accuracy targets covering the major benefits were set by the Agency. In 2005-06, three of the six targets set were achieved. The Agency told me that the target for Incapacity Benefit was also achieved as its result was within the statistical tolerance level. The Agency also told me that it considers that the very exacting targets which have been set attest to the Agency's commitment to do better and that improvement plans are in place across all benefit areas to drive up standards.

**Figure 3: Internal Agency Financial Accuracy**

Benefit	2005-06 Monetary Value of Error £million	2005-06 Financial Accuracy correctness as a % of expenditure	2005-06 Target	2004-05 Monetary Value of Error £million	2004-05 Financial Accuracy correctness as a % of expenditure	2004-05 Target
<b>Non-contributory</b>						
Income Support	11.0	97.7%	99.0%	11.0	97.8%	98.5%
Jobseeker's Allowance	0.7	99.2%	99.0%	1.6	98.4%	98.5%
Disability Living Allowance	37.3	93.5%	96.0%	36.0	93.5%	95.0%
Attendance Allowance	4.2	97.8%	Not available*	5.7	96.9%	Not available*
Carer's Allowance	1.1	98.7%	Not available*	0.9	98.9%	Not available*
Pension Credit	11.0	96.2%	96.0%	12.7	95.4%	95.0%
<b>National Insurance Fund Contributory</b>						
Retirement Pension & Bereavement Benefits	9.2	99.2%	99.0%	4.7	99.6%	95.0%
Incapacity Benefit	3.7	98.8%	99.0%	5.7	98.2%	98.5%
<b>Social Fund</b>						
Payments, grants and loans	1.6	97.7%	Not available*	1.5	97.8%	Not available*
<b>Total</b>	<b>79.8</b>	<b>97.7%</b>		<b>79.8</b>	<b>97.6%</b>	

\* Not available as targets not set for these benefits

## Tackling Customer Fraud and Error

- 3.21 As part of the ongoing efforts to address the level of customer fraud and error, the Agency established the Benefit Security Directorate in 1998 to coordinate and drive strategies for reducing fraud and error. Following from this, the Benefit Investigation Service (BIS) was introduced to contribute to the reduction in customer generated benefit fraud. In 2005-06, BIS's work led to benefits being adjusted in over 40 per cent of their investigations.
- 3.22 The following two case studies illustrate the positive work being done by BIS.

### Case Study 1 – Claiming benefit during a period of employment

This case arose from a data matching process which identified that the customer had been working during the time he was claiming and receiving Job Seekers Allowance. Checks performed on the benefit system revealed that the customer had been employed for a 12 week period before he had ceased to claim the benefit. The employer was contacted and the employment details confirmed. The customer was interviewed under caution and, after initially denying the allegations, admitted to the circumstances on seeing the evidence. The overpayment was confirmed as £668.28 and the benefit Decision Maker deemed an administrative penalty of £200.48 appropriate. Procedures were followed and a decision was taken to offer the customer to pay an 'administrative penalty'. The customer accepted the decision and the repayment of the amounts due from the customer has now commenced.

**Case Study 2 – Living together as husband and wife**

An anonymous telephone call was received in alleging that Customer X was claiming benefit and living with their partner. Various lines of enquiry were pursued and details were taken from the Driving Vehicle Licensing Agency showing that the Customer's partner's car was registered to the Customer's address. Authorised surveillance was carried out over an extended period of time and showed that the Customer's partner may reside at that address. The Customer, accompanied by a solicitor, was interviewed under caution and denied the allegation. The benefit Decision Maker accepted the evidence and raised an overpayment of £5,086.19. The information was gathered and passed to the Public Prosecution Service (PPS) who confirmed that the case would be taken forward for prosecution. The Customer was found guilty and received a conditional discharge on two counts for 12 months each. The Customer has now commenced repayment of the amounts fraudulently claimed.

- 3.23 I note the recently published report from the Criminal Justice Inspection Northern Ireland "Inspection of the Benefit Investigation Service of the Social Security Agency". The report highlighted a number of areas of good practice within BIS but noted that there is scope for improvements. In particular, a joined up approach to manage counter fraud activities within the Agency and using the information the system generates to target fraud would help tackle fraud more effectively. In response to the Report, the Agency has developed an action plan to implement the major recommendations as soon as possible. I will monitor the Agency's progress on this action plan.
- 3.24 The progress of the Agency in tackling issues related to fraud and error in the administration of social security benefits will also be addressed in a value for money report on Social Security Fraud and Error which I am currently undertaking.

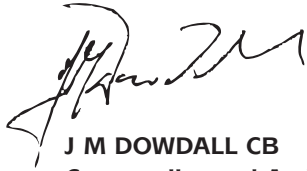
**Impact of the Level of Fraud and Error on the Account and Audit Opinion**

- 3.25 In forming my audit opinion I am required to confirm that the account is free from material misstatement, whether caused by error, fraud or irregularity. I have qualified my audit opinion on the account due to the material level of estimated fraud and error in benefit expenditure totalling £137 million (see Figure 2).

## Part 4: Contributory and Non-Contributory Benefit Overpayment debtors - Removal of previous audit qualification

- 4.1 In previous years I qualified my audit opinion on the Agency's account because of the uncertainties regarding the amounts included as benefit overpayments. In 2005-06 the Agency undertook a significant amount of work on the debtors balance and I can confirm that as a result of the testing completed by my staff I am able to remove the previous qualification on these balances.
- 4.2 Overpayments to customers arise as a result of fraud or error on the part of the customer, and to a lesser extent errors by officials. Currently when an overpayment is identified, local social security offices notify Debt Management Unit (DMU). DMU records the amount of the overpayment on their debt management system, the Overpayment Recovery System (OPREC) and pursue recovery. These and subsequent movements in debt outstanding are posted to the Programme Accounting Computer System (PACS) general ledger in total rather than by the individual amounts. In previous years the debtor balance recorded in the PACS general ledger was considered to be more accurate, and being lower, more prudent and this was the balance that was included within debtors in the accounts. However, the PACS system cannot provide a listing of individual customers owing money for my staff to test. A listing of individual balances was available from the OPREC system but the total overpayments did not agree with the balance recorded on the PACS system. In previous years the Agency were unable to satisfactorily reconcile the two balances and as a consequence I was uncertain about the accuracy and completeness of the overpayment debtors balance in the accounts and I had qualified my audit opinion on the basis that the scope of my audit was limited.
- 4.3 However, in 2005-06 a significant amount of work has been invested by Agency staff to address my concerns about the overpayment debtor balance. An exercise to validate and update the individual customer balances on the OPREC system was undertaken and the results indicated that the debtor balances on OPREC were robust to the extent that it was considered more accurate for the overpayment debtor in the 2005-06 Agency accounts to be based on the OPREC balance. Consequently my staff had access to an overpayment debtors listing that agrees with the balance shown in the accounts to perform audit work on.
- 4.4 I previously had concerns about the completeness of customer overpayment debt. However, this year in preparation for the Debt Modernisation Project the Agency has put significant effort into addressing my previous audit concerns over completeness and as a result they have identified a high level of debt cases which have not yet been fully assessed and included on OPREC at the year end. These cases are considered to be "potential debt" until operational staff have correctly established whether a genuine overpayment debt does in fact exist. Using historical statistical information the Agency has estimated the value of this "potential debt" to be £8.5 million and this figure has been accounted for within debtors in the 2005-06 accounts. I am concerned that such a significant level of unassessed debt (27,990 cases) exists within the Agency and strongly encourage the Agency to take immediate steps to fully assess the amounts due and pursue the outstanding balances. I asked the Agency to comment on this matter and it told me that a reduction in the level of unassessed debt is one of the priority areas for the Debt Modernisation Project. The Agency informed me that operational managers have put in place recovery plans to clear the backlog of unassessed debt cases. Furthermore the Agency indicated that the objectives of the Debt Modernisation Project will also contribute to more streamlined debt management processes and the more efficient management of benefit overpayment debt.
- 4.5 The Agency acknowledge that the systems for handling overpayment debtors have been largely unsatisfactory for a number of years and it is currently introducing a IT system, a revised management structure and business processes as part of the Debt Modernisation Project. The

new IT system (Debt Manager) will replace OPREC and will be operational by October 2006. I will closely monitor the anticipated improvements that this new system will deliver in terms of accuracy of debt information and recovery of debt in future audits.



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**Comptroller and Auditor General**  
**3 July 2006**

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