Department for Communities
www.communities-ni.gov.uk

Annual Report and Accounts

for the year ended 31 March 2017

Annex includes Child Maintenance Service Client Funds Account 2016–17

Department for Communities
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for the year ended 31 March 2017

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Contents

Annual Report Contents

Part 1

Performance Report

The purpose of the performance section of the annual report is to provide information on the Department, its main objectives and strategies and the principal risks that it faces. The requirements of the performance report are based on the matters required to be dealt with in a Strategic Report as set out in Chapter 4A of Part 15 of the Companies Act 2006 adapted for the public sector.

Section 1 – Overview

Accounting Officer's Report

These accounts consolidate the financial information of the Department for Communities (DfC) for the financial year to 31 March 2017. These are the first set of accounts for the new Department which was formed on 9 May 2016 following the restructuring of the Northern Ireland Departments. It has an annual budget of almost £7 billion and some 8,000 staff. The new Department delivers wide ranging and important public services that impact on citizens in every residential area, every community and every town across Northern Ireland.

We provide support to meet the needs of some of the most disadvantaged citizens, families and communities across Northern Ireland. Some of the areas we have responsibility for include delivering the social welfare system, providing advice for those seeking employment, ensuring good quality and affordable housing is available, impartial information on child support, facilities for sports and leisure, supporting local government, maintaining museums and revitalising town and city centres. In delivering these services DfC has successfully delivered on a wide range of targeted government programmes and commitments, and worked in partnership with other statutory and non-statutory bodies.

Although we operated in a challenging financial environment and dealt with the operational pressures resulting from the merging aspects of legacy Departments, the Department still performed well against the targets it had set.

In summary the Department for Communities achieved 29 of our 38 targets set in 2016–17. A number of targets were not achieved due to the dissolution of the Northern Ireland Assembly on 16 January 2017.

Purpose and Activities of the Department

DfC is the largest of nine Northern Ireland departments. It was established under the Departments Act (Northern Ireland) 2016. It combines functions previously delivered by 6 separate departments.

The Department for Communities encompasses:

- all functions of the former Department for Social Development (DSD);
- the functions of the former Department for Culture Arts and Leisure, including the Public Record Office of Northern Ireland (but excluding inland fisheries & waterways);
- employment services and the economic inactivity strategy from the former Department of Employment and Learning;
- local government from the former Department of Environment, including built heritage from Northern Ireland Environment Agency; and
- debt advice and the financial capability strategy from the former Department of Enterprise Trade and Investment.

A number of functions also transferred from the Office of the First Minister and Deputy First Minister:

- policy responsibility for older people, active ageing strategy, sponsor branch for the

Commissioner for Older People with the exception of the appointment of the Commissioner;

- sponsor department for Commissioner for Children and Young People (with exception of appointment of the Commissioner); and
- policy responsibility for gender and sexual orientation, disability strategy, anti-poverty and child poverty (Life Chances Act 2010).

During the period of this annual report DfC therefore had strategic responsibility in Northern Ireland for setting policy, bringing forward legislation and resourcing in the following areas:

- Housing;
- Urban regeneration;
- Sport;
- Benefits and pensions;
- Social legislation;
- Helping people find employment;
- Arts and culture;
- Museums and libraries;
- Child maintenance;
- Voluntary and community sector and the regulation of charities;
- Languages;
- Historic environment;
- Local government; and
- Public Records Office.

Our Responsibility for Funds

DfC has responsibility for the administration of the following funds:

- **The National Insurance Fund**, within the remit of HM Revenue and Customs (HMRC), is excluded from the consolidation and the summary of resource outturn in the Statement of Assembly Supply. However, certain elements are included in the remaining primary statements. These are contributory benefits, all administration costs and their related assets and liabilities;
- **The Social Fund**, which is consolidated within the primary statements;
- A **Client Funds Account** to control the receipt and payment of child maintenance and fees from non-resident parents and parents with care. Child maintenance is collected from paying parents (non-resident parents) and paid over to the receiving parent i.e. parent/person with care of the children. This fund is prepared as a separate account and is not consolidated within these accounts. The Client Funds Account is attached at Annex A; and
- **The Northern Ireland Central Investment Fund for Charities** into which NI charities invest funds. We pay dividends twice yearly and invest the capital of the **Charitable Donations and Bequests Fund**. These funds are not consolidated within these accounts as no departmental funds are involved.

Public Bodies Outside our Accounting Boundary

In fulfilling its role DfC currently has responsibility for 15 Non-Departmental Public Bodies (NDPBs) that sit outside its accounting boundary. These are:

Executive Non Departmental Bodies

Executive NDPBs are those with executive, administrative, commercial or regulatory functions. They carry out set functions within a government framework, but the degree of operational independence varies.

- **Armagh Observatory and Planetarium** was set up under the Armagh Observatory and Planetarium (NI) Order 1995 and under the Companies (NI) Order 1986. It is registered as a company limited by guarantee and has charitable status. Its purpose is to advance the knowledge and understanding of astronomy and related sciences through the execution, promotion and dissemination of astronomical research nationally and internationally in order to enrich the intellectual, economic, social and cultural life of the community.

- **Arts Council of Northern Ireland** established under the Arts Council (Northern Ireland) Order 1995. The functions of the Arts Council are as follows:
  - to develop and improve the knowledge, appreciation and practice of the arts;
  - to increase public access to and participation in the arts;
  - to advise the Department and other government departments, district councils and other bodies on matters relating to the arts;
  - and such other functions as are conferred on the Council by any other statutory provision.

- The **Charity Commission for Northern Ireland** (CCNI) was established in June 2009 under the Charities Act (Northern Ireland) 2008. The main objectives of this Act are to provide an integrated system of registration and regulation of charities in Northern Ireland and supervision and support of registered charities.

- **Commissioner for Older People Northern Ireland** (COPNI) was established under the Commissioner for Older People Act (Northern Ireland) 2011. The COPNI has promotional, advisory, educational and general investigatory powers and duties. It champions the rights and interests of older people throughout Northern Ireland.

- **Libraries Northern Ireland** (Libraries NI) established under The Libraries Act (Northern Ireland) 2008. The primary duty of Libraries NI is the provision of comprehensive and efficient public library services for persons living, working or studying in Northern Ireland. In doing so the organisation ensures that facilities are available for the borrowing of, or reference to, library materials sufficient in number, range and quality to meet the requirements of adults and children whilst
  - encouraging both adults and children to make full use of the library service;
  - providing advice as to the use of the library service and making available such bibliographical and other information as may be using the service;
  - promoting literacy and lifelong learning;
  - maintaining a collection of library materials relevant to the cultural heritage of Northern Ireland;
  - making library premises available for cultural and community activities; and
  - meeting any special requirements of adults and children by any appropriate means.

- **Local Government Staff Commission Northern Ireland** established under the Local Government Act (Northern Ireland) 1972. Its powers were later extended under the 1976 and 1981 Northern Ireland Housing Orders and the Local Government (Miscellaneous Provisions) (NI) Order 1992.

In general, the terms of reference for the Commission are to exercise 'general oversight of matters connected with the recruitment, training and employment of officers of councils and the Northern Ireland Housing Executive and of making recommendations to councils and the Northern Ireland Housing Executive on such matters'. The NI Executive agreed that the Local Government Staff Commission should be wound up on 31 March 2017. However, this timetable was not achievable. The intention now is to dissolve the Local Government Staff Commission as soon as the consultation process, and Assembly process, on the Dissolution Order allows.

- **National Museums NI (NMNI)** established under the Museums and Galleries (NI) Order 1998, which established the functions of NMNI as follows:
  - to care for, preserve and add to the collections;
  - ensure that the collections are available to the public through exhibitions, effective interpretation, research and study; and
  - promote the awareness, appreciation and understanding of art history and science, the way of life and traditions of people;

  with particular reference to the Museums and Galleries (Northern Ireland) Order 1998.

- The **Northern Ireland Museums Council (NIMC)** is a company limited by guarantee. NIMC is also a registered charity and the charitable status means it must comply with the accounting requirements of the 'Charities Statement of Recommended Practice (SORP)' as well as the requirements of the Financial Reporting Manual (FReM). Its purpose is to support regional and local museums in Northern Ireland and maintain and improve the standards of collections' care and service to the public. It also aims to promote a coherent framework of museums provision.

- The **Northern Ireland Local Government Officers' Superannuation Committee** (NILGOSC) is a NDPB sponsored by the Department, which was established on 1 April 1950 by the Local Government (Superannuation) Act, to administer and maintain a fund providing pension benefits for employees of local authorities and other admitted bodies. The Local Government Pension Scheme (LGPS) Northern Ireland is managed by NILGOSC.

- The **Northern Ireland Commissioner Children and Young People (NICCY)** is a NDPB sponsored by the Department which was established in October 2003 under the Commissioner for Children and Young People (Northern Ireland) Order 2003. NICCY's principal aim is to safeguard and promote the rights and best interests of children and young people up to the age of 18 or up to 21 for those with a disability or who have experience of being in the care of the state.

- The **Northern Ireland Housing Executive** (NIHE) is the regional strategic housing authority for Northern Ireland. For National Accounts purposes NIHE was historically classified as a public corporation. From 1 April 2014, following a request from the Office for National Statistics (ONS), this classification changed. For National Accounts purposes, the regional strategic functions of the NIHE are now classified as a NDPB and the landlord functions carried out are classified as a quasi corporation within the NDPB.

- **Sport Northern Ireland** (SNI) was established under the Recreation and Youth Service (NI) Order 1986. It is the leading body for the development of sport in Northern Ireland. SNI is committed to ensuring that sport and physical recreation is accessible for everyone, regardless of age, gender, race, disability, marital status, sexual orientation, dependency, religious belief or community background.

- **Ulster Supported Employment Limited** (USEL) is a not for profit organisation which has both NDPB and charitable status. It is supported and funded by government. USEL was established in 1962 with the aim of providing supported paid employment for people with disabilities within its Belfast manufacturing base. USEL's vision is to be the best at assisting people with disabilities meet their employment aspirations. Each year it supports over 1,500 people with disabilities in more than 750 companies to enter or maintain employment through employment programmes. Today the organisation spans the whole of the province with offices in Belfast, Londonderry, Portadown and Omagh.

- **The Northern Ireland Events Company (NIEC)** was incorporated as a limited liability company in 1997 with a remit to support major events in Northern Ireland. The company was controlled by a Board of publicly appointed Non-Executive Directors. Day to day operational management of NIEC was carried out by an executive management team, led by a Chief Executive, who was the designated Accounting Officer.

  Following the failure of the company the Public Accounts Committee produced a report in February 2016 with the Memorandum of Reply presented to the Northern Ireland Assembly on 22 June 2016. All creditor claims against the company have been settled and the company will now be wound up.

- **North/South Language Body**

  In the Good Friday Agreement, it was stated that a North/South Implementation body be set up to promote both the Irish Language (Foras na Gaelige) and Ulster Scots language (Ulster Scots Agency). Each of these agencies has its own board whose members together constitute the Board of the North/South Language Body.

Foras na Gaeilge

Foras na Gaeilge carries out all the designated responsibilities regarding the Irish Language. This entails facilitating and encouraging the speaking and writing of Irish in the public and private arena in the Republic of Ireland, and in Northern Ireland where there is appropriate demand, in the context of part three of the European Charter for Regional and Minority Languages.

The staff of Bord na Gaeilge, An Gúm (Publishers) and An Coiste Téamaiochta (Terminology Committee) and their activities have all been transferred to the new body. Foras na Gaeilge is proud of its role in advising north and south of the border, as well as public bodies and other groups in the private and voluntary sectors in all matters relating to the Irish Language as well as the supportive projects it undertakes with grant-aiding bodies and groups throughout the island of Ireland.

Ulster Scots Agency

The Ulster Scots Agency or Tha Boord O Ulster Scotch has been given the legislative remit of the promotion of greater awareness and use of Ulster-Scots, both within Northern Ireland and throughout the Island. The aims of the Ulster Scots Agency are

- to promote the study, conservation , development and use of Ulster-Scots as a living language;
- to encourage and develop the full range of its attendant culture; and
- to promote an understanding of the history of the Ulster-Scots.

The Agency is jointly funded by the Department for Communities in Northern Ireland and the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs in the Republic of Ireland and is responsible to the North/South Ministerial Council. The Agency has its main office in Belfast with a regional office in Raphoe, Co Donegal.

Public Bodies Within our Accounting Boundary

DfC Advisory Non-Departmental Public Bodies

- The **Historic Buildings Council** was established in 1974 under the provisions of the Planning (Northern Ireland) Orders of 1972 updated most recently by the Planning Act (NI) 2011. The council is made up of 15 members with a wide range of expertise and experience in architecture, architectural history, planning, industrial heritage, building conservation and structural engineering throughout Northern Ireland. Its role is to advise the Department on the listing and delisting of buildings, listed building consent, buildings preservation notices (spot listing), urgent works to preserve buildings, conservation areas and matters of the industrial and defence heritage.

- The **Historic Monuments Council (HMC)** was first established in 1971 under the provisions of the Historic Monuments (Northern Ireland) Act 1971. Its current authority is derived from the Historic Monuments and Archaeological Objects (Northern Ireland) Order 1995 (the Order). The council is made up of 15 members with a wide range of experience and expertise in matters concerning historic monuments and cultural heritage. The role of HMC is to advise the Department on, among other things, the management of monuments in state care, maritime archaeology, industrial and defence heritage and areas of significant archaeological interest within development plans.

Independent Statutory Officeholder

- The Office of the Discretionary Support Commissioner was established to deliver independent reviews of decisions made on Discretionary Support Loans and grants. It came into operation in November 2016, replacing the Office of the Social Fund Commissioner when elements of the Social Fund ceased. The Office of the Social Fund Commissioner continued to operate for 2–3 months after November to handle any outstanding reviews.

Key Risks

DfC had a robust risk management process in place to ensure that the risks faced by the Department are identified, managed and that appropriate controls were in existence and utilised accordingly.

At the beginning of 2016–17 the Departmental Management Board (DMB) conducted an end of year review of its Corporate Risk Register for 2015–16, alongside the Department's Balanced Scorecard for 2015–16, and agreed the key corporate risks for 2016–17. Key risks to the Department achieving its objectives are outlined in pages 25 to 26 of the Governance Statement.

Details of our corporate governance and risk management arrangements are included in the Governance Statement on pages 25 to 32.

Key issues faced during 2016–17

During 2016–17 the Department managed a number of significant issues. Further details on the issues faced and the actions taken can be found on pages 25 to 32 of the Governance Statement.

Performance Analysis

The Departmental Management Board (DMB) supports the Accounting Officer in his oversight of the delivery of the business plan. The Board and Minister receive quarterly performance reports setting out progress against all commitments and milestones.

Despite challenging conditions the Department has made good progress in achieving the 38 milestones and targets contained in the 2016–17 Business Plan.

A total of 29 (76%) of the milestones/targets for 2016–17 have been achieved. Progress for 7 milestones (18%) was less than planned and 2 milestones (5%) have not been achieved.

Our Detailed Financial Results for the Year

Departmental resource accounts form the principal financial reports of the Department and are published on an annual basis. Supply estimates are the means by which parliamentary (Assembly) authority is secured for most government expenditure.

Supply is granted on an annual basis, voted in the Main and Spring Supplementary Estimates and in the Budget Acts in NI. In 2016–17 a Budget Bill was not passed by the Assembly to reflect the Spring Supplementary Estimates position due to the Assembly having been dissolved. Therefore the Supply Estimate position shown in the Statement of the Assembly Supply is the Main Estimates position. As a result the Department has incurred a number of technical excess votes where virement is not permitted. Had the Spring Supplementary Estimates and associated Budget Bill been approved by the Assembly to reflect changes to departmental budgets that had previously been agreed by the Executive or changes that could reasonably have been expected to have been agreed in the January monitoring round, these technical excesses would not have occurred.

The net resource outturn of the Department in 2016–17 was £4,220 million. The financial results of the Department are set out on pages 49 to 163.

The outturn was £136 million less than the Estimate. This was largely attributable to underspends in social security administration and benefits expenditure. (See the Assembly Accountability and Audit Report for more details).

Fixed Assets

Details of movements in fixed assets are set out in **Notes 7–10**.

Contingent liabilities are not required to be disclosed under IAS 37 but are included for parliamentary reporting accountability.

Contingent liabilities in this context are included in **Note 21** in the main body of the accounts.

Going Concern

In relation to going concern, FReM states that “for non-trading entities, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern”. In previous years, this evidence in published documents would have been taken to be the published Budget Act and subsequent Estimates, which are not in place for 2017–18. However, the Secretary of State issued a written statement to Parliament on 24 April in which he set out details of an indicative Budget position for NI departments **(http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2017-04-24/HCWS612/)**. DoF and NIAO are content that this provides sufficient evidence of the intention to continue funding, and so provides evidence of going concern.

Departmental Performance

Strategic Priorities and Objectives

The DfC Business Plan for 2016–17 identified ten strategic priorities and objectives for the Department in delivering its services for the public. These services impact upon almost every person in Northern Ireland. The services delivered by the Department, and the funding it provides to arm's length bodies, has led to many positive impacts for the population across Northern Ireland. These have been achieved against a backdrop of challenging budgetary conditions.

The services provided and the actions taken to meet these priorities are listed below:

1. Decent, affordable, sustainable homes and housing support services

The Department has responsibility for the provision of good quality housing and demand for social housing continues to be high with waiting lists of around 40,000. We have taken steps to alleviate this pressure by commencing construction on 1,600 new social homes, exceeding last year's 1,568 homes. Through the NIHE we invested over £150 million in existing social homes. We also advanced our plans to transfer 2,000 social homes from the NIHE to housing associations in order to provide £100 million of investment. Through our Co-ownership Scheme we delivered 700 additional affordable homes.

We launched the new 'Rent to Own' scheme to help those on lower incomes to own their homes. The scheme aims to deliver 90 new homes for owners over the next two years. To date 26 households have been accepted onto the scheme.

Energy efficiency continues to be a Departmental priority. It helps deliver long term health, economic and environmental outcomes. £23 million was provided through the Affordable Warmth and Boiler Replacement improving energy efficiency of 7,200 homes. Over 1,000 Housing Executive homes had solar photo voltaic systems installed potentially saving tenants over £0.225 million from their electricity bills.

We are committed to helping those on the margins of society to reintegrate. The Minister launched the consultation of NIHE's 'Ending Homelessness Together – the Homelessness Strategy for Northern Ireland 2017–2022'. The strategy supports a multi-agency approach to tackling homelessness.

Through the Supporting People programme we assisted more than 19,000 vulnerable householders to live independently. In addition £13 million was provided in grants to improve homes including disabled adaptations for owner, occupiers and those in private rented accommodation.

The Housing (Amendment) Act (Northern Ireland) 2016 came into operation facilitating the sharing of information on empty homes and anti-social behaviour.

2. A social welfare system including focused support to the most disadvantaged areas

In 2016–17 DfC managed a social welfare budget of over £5 billion ensuring public funds are utilised efficiently. Reducing error and fraud remains a key focus and in 2016–17 overpayments stood at 1.5%, while underpayments were 0.5%.

We understand the need to be professional in the social welfare advice and support we provide to clients. This year, to assist with this we published our customer charter detailing the standards and quality service customers should expect when dealing with us.

We met high targets in processing requests for benefits. The average State Pension clearance in 2016–17 was just under 7.5 days. Housing benefit, aimed at helping people on low income with housing costs, had an average turnaround time for applications of 22 days.

The average clearance time for Jobseekers Allowance applications was just over 10 days, Employment Support Applications 14 days and Income Support 9 days.

The Executive committed to provide £8 million over four years to support customers through changes to the benefit system. In September we announced £2.5 million providing an independent freephone helpline, and 35 additional front line advisers across 11 council areas. The service provides advice on welfare changes including legal advice and appeals representation.

3. Support for jobseekers and employers

Helping those seeking work and supporting employers is a key priority if we are to build a solid economic future for Northern Ireland. This Department provides advice, training and support to job seekers through our local offices.

We recognise the importance of helping those that want to work, back into employment. This year we developed plans setting out interventions to reduce economic inactivity focusing on supporting those who want to work with health conditions, disabilities, families and caring responsibilities.

We hosted 5 major jobs fairs across the province this year working with partners (including district councils) bringing employers and those who are searching for work together.

The former Minister Givan opened a major extension at Bluestone Business Park funded with £0.748 million by the Northern Ireland Executive through DfC aimed to cultivate entrepreneurship and encourage development of small businesses within disadvantaged area of Brownlow.

4. Bringing divided communities together

This Department recognises the need to tackle the blights of sectarianism, racism and other forms of intolerance. One of the ways we are helping to address this is in the promotion of shared neighbourhood developments. Three were completed in 2016–17 in Belfast, Saintfield and Newtownabbey. Together with local government we have taken steps to further progress major regeneration schemes aimed at delivering vibrant, attractive environments for our communities. These include:

- Proposals to breathe new life into St Patrick’s Barracks, Ballymena;
- Publication of development brief for Queens Parade, Bangor;

- Approval of the economic appraisal for a scheme in Enniskillen – £5.2 million;
- Completion of public realm works in Dungannon – £2.3 million ;
- Progression of regeneration plans for Portrush in advance of the 2019 Open Golf Championship;
- Preparatory work for development of Clondermot site, Londonderry;
- Preparatory work for redevelopment of Fort George, Londonderry;
- Inviting proposals for development of a site within Girdwood, Belfast; and
- Market testing Queen's Quay and Gateway Site North Street Belfast.

We invested £9.4 million to improve the environments in 27 towns and cities including Randalstown, Antrim, Greenisland, Donaghadee, Comber, Newry, Holywood, Bangor, Omagh, Coalisland, Lisburn, Armagh, Banbridge and Lurgan to maximise opportunities for investment.

We provided funding through Urban Development Grants and committed £0.475 million to a 3-star hotel project in Londonderry. A further 17 projects advanced from the first stage of assessment and are being considered for funding.

5. Supporting Local Government

This Department is responsible for setting the policy and legislation framework under which Northern Ireland's 11 district councils operate and provide services. It is also responsible for setting the governance and accountability framework for councils.

We consulted on a revised Code of Conduct for councillors, taking account of the recommendations of the independent Code of Conduct Review Group which was established to carry out a review of aspects of the Councillors' Code.

We play a key role in supporting district councils in the development of their community plans aligned with programme for government outcomes. All 11 councils issued plans for consultation this year, setting out the long term objectives for local areas across various aspects of public services.

The DfC Minister chairs the Partnership Panel for Northern Ireland. It is comprised of NI Executive Ministers, elected representatives from 11 local councils and representatives of the Northern Ireland Local Government Association (NILGA).

On 22 November 2016, the Minister for Communities made a statement to the Assembly on the Regeneration Bill advising the Assembly that he was not going to extend the Department's urban regeneration and community development powers to local government. Former Minister Givan set out the new context, created by the programme for government and community planning, in which he wanted to see both central and local government working with other stakeholders in the community and private sectors to improve people's lives.

6. Maximising public benefits from the culture, arts and leisure sectors

The culture, arts and leisure sectors play an important part in promoting cohesive communities to help the achievement of positive health and socioeconomic outcomes.

We continued our modernisation of the three regional sport stadia. The National Stadium at Windsor Park opened its new West Stand bringing capacity to 18,434, whilst the

Kingspan Stadium continues to be a huge success with rugby fans. The redevelopment of Casement Park Stadium made significant progress, culminating in a full planning application to Belfast City Council in February 2017.

In September, the Minister announced a £1 million four year investment in disability sport helping to develop elite athletes and encourage participation amongst people with disabilities in sports.

We delivered cross-community youth sports programmes across Northern Ireland. In the Falls and Village areas of Belfast we supported youth leaders in designing and delivering sports and good relations programmes, engaging approximately 600 young people aged between 11–16 years.

We arranged events to celebrate the Northern Ireland Football Team homecoming following European Championships 2016.

Public Records Office Northern Ireland and Land & Property Services delivered the online application Historical Maps Viewer containing almost 1,500 maps from the Ordnance Survey of Northern Ireland archive.

7. Tackling disadvantage and promoting equality of opportunity

Significant work has been undertaken as part of the Executive's new approach to the Programme for Government to develop a draft Social Strategy aimed at promoting opportunity for everyone and to tackle poverty, social exclusion and patterns of deprivation based on objective need. Whilst not approved yet for formal consultation, the focus is on delivery of better outcomes for people.

In parallel with the development of the Social Strategy we developed an inter-departmental delivery plan to deliver better outcomes for people by supporting those in greatest need and promoting opportunities for everyone to fulfil their potential.

We continue to implement the actions of the Executive's Active Ageing and Child Poverty strategies. We laid an annual report on child poverty in the Assembly in November 2016.

In 2016–17 funding of £73 million was provided through the 'Supporting People' programme assisting the resettlement of people from institutional settings and preventing problems that could lead to hospitalisation, institutional care or homelessness.

We held a series of structured events in order to engage with key stakeholders to develop a PfG indicator to improve the quality of life for people with disabilities and their families.

We deliver funding into the most disadvantaged areas. In 2016–17 we provided funding of £21.1 million to the most deprived wards in Northern Ireland.

8. Promoting the financial responsibility parents have for their children

In 2016–17, Child Maintenance Service supported 14,097 children across Northern Ireland through the administration of £20 million child support payments from non-resident parents to parents with care. Before applying parents are encouraged to consider a family-based arrangement and CMS supported 159 additional families in making this arrangement.

CMS employs over 900 staff in Belfast on behalf of the Department of Work & Pensions (DWP). Internal metrics measuring its performance continues to rate it as one of the best in the United Kingdom. The Department has been successful in securing a contract with DWP for an additional 280 jobs with a contract value of £16 million over two years. These jobs will include posts dealing with child maintenance services, benefits provision and universal credit.

9. Funding programmes that help community and voluntary organisations make a difference

This Department has lead responsibility for the voluntary and community sector. In 2016–17 we provided in the region of £104 million supporting a range of objectives to make a real difference in the lives of the population.

We provided £2.9 million to enable access to independent generalist advice services and a further £1.35 million to support front line organisations in preparing and training for Welfare Reforms.

£2.4 million was provided through the Regional Infrastructure Support Programme to ensure the voluntary and community sector has access to the support its needs to function effectively and efficiently. As well as generic support, funding was provided for volunteering, women in disadvantaged areas, faith based engagement and generalist advice. The programme has been subject to review to ensure it is fit for purpose over the next 5–7 years, and during 2016–17 a public consultation was undertaken on new co-designed proposals with the intention of launching new arrangements in 2018–19.

We supported 61 projects through the Executive's Together: Building a United Community Strategic Interventions programme. This included 'No Place Like Home', through Playhouse Theatre, which provided a social and cultural inclusion project for homeless young people and the 'Simply Judo Refugee Project' which positively addresses and challenges commonly held negative attitudes about refugees.

10. Protecting our historic environment

Our historic environment has significant potential to support and sustain vibrant communities and a strong economy. This Department is responsible for the care of 190 state care monuments and sites representing human settlement in Northern Ireland from 7,000 BC to modern times.

Partnerships were taken forward with district councils, voluntary organisations and others to ensure monuments contribute to communities and the economy.

A significant development took place at Tullaghoge Fort in County Tyrone which officially opened in June 2016. Planning permission was applied for a new roof for the Great Keep at Carrickfergus Castle.

The Historic Environment Fund launched bringing together funding for the historic environment including research, repair, regeneration and revival. Around £0.400 million was provided to 40 projects, alongside the completion of 15 schemes from the previous listed building grant scheme.

We progressed work on longstanding challenges around large volumes of archaeological artefacts currently held by archaeology firms, and progressed the second survey of buildings of special architectural or historical importance.

Significant work took place in 2016–17 to review commercialisation options for monuments in state care.

Other Key Highlights:

During the year DfC also had a significant number of other key achievements. These included:

- The Minister announcing a £5.2 million housing scheme in Ballyclare providing 39 new homes for active older people upon completion in 2018;
- Running a major public consultation to develop a ten year strategy for the culture and arts sector. A summary of responses were published on the Department's website;
- Increasing the availability of Automated External Defibrillators (AED) to clubs and community groups;
- Agreeing a code of practice to reduce bureaucracy associated with administration of revenue grant funding to the voluntary and community sector;
- Publishing proposals following stakeholder engagement on an affordable and sustainable private rental sector;
- Bringing into effect a revised statutory rule governing access to historical records in the Public Record Office of Northern Ireland. Personal digital cameras can now be used to copy many records free of charge;
- With the Department of Education we supported schools to attend Battlefield Tours, and with the Holocaust Memorial Trust we brought students to the Auschwitz concentration camp;
- Working with the Female Sports Forum, the IFA, the GAA and Ulster Rugby to help develop female sport in Northern Ireland;
- Delivering receptions for Rio Olympic and Paralympic athletes and Jonathan Rea – two times World Superbike Racing Champion;
- Developing an Active Living: No Limits Action Plan ensuring people with a disability have equal opportunity to access to sport and active recreation;
- Delivering 40 cross community sports sessions to groups aged between 11 and 16 years Through the Rural Together: Building United Communities (TBUC) programme. This included the development and upskilling of 20 young leaders (United Champions) in the Erne East area;
- Participating in British Irish Council demography work which culminated in the Population Ageing Society; Policy Implications Demography Report; and
- PRONI, with Queen's University and Prisons Memory Archive Management Group, secured £0.5 million from the Heritage Lottery Fund to preserve and make available delivering the Prisons Memory Archive.

Complaints Handling

The Department is committed to a consistent approach to complaints handling. It helps ensure customers are provided with a good standard of care and that internal control mechanisms are effective and impartial. The Department aims to answer all complaints within 10 working days. There are two separate approaches for handling complaints within the Department.

The first approach is for complaints that do not normally involve services provided to individual customers. The Department operates a two stage process for dealing with these complaints. Stage 1 complaints are signed off by the relevant business area Grade 7. Stage 2 complaints are signed off by the Grade 5 or Grade 6.

The second approach is for complaints involving services provided to individual customers. The Department operates a three stage process for dealing with these complaints. Stage 1 complaints are signed off by the relevant business area manager at Staff Officer level. Stage 2 complaints are signed off by the relevant business area Grade 7. Stage 3 complaints are signed off by a Grade 5, Grade 7 or Deputy Secretary. During 2016–17 the Department received a total of 1,159 complaints. If a complaint is upheld, lessons learned are shared across business areas contributing to improvements in meeting our customer needs.

The Departmental customer complaints policy can be found at **https://www.communities-ni.gov.uk/dfc-complaints-procedure**

Conclusion

The Department has managed the consolidation of functions from six departments successfully during the year and has had many successes. In dealing with this enormous change we have continued to deliver a first class service that impacts upon the lives of many people across Northern Ireland.

LEO O'REILLY
ACCOUNTING OFFICER

26 JUNE 2017

Part 2

Accountability Report

The purpose of the accountability section of the annual report is to meet key accountability requirements to the Assembly. The requirements of the accountability report are based on the matters required to be dealt with in a Directors' Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410 and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981. The requirements of the Companies Act are adapted for the public sector.

The Accountability Report therefore comprises:

a) the Corporate Governance Report (consisting of the Directors' report, Statement of Accounting Officer's Responsibilities and Governance Statement;

b) the Remuneration and Staff Report; and

c) the Assembly Accountability and Audit Report (which includes the Statement of Assembly Supply and supporting notes and disclosures relating to regularity of expenditure, losses and special payments, remote contingent liabilities and long-term expenditure trends).

Corporate Governance Report

This sets out the management arrangements for the department and the areas which have been of concern throughout the year along with any mitigating actions taken.

Directors' Report

Management of the Department

Our Minister and Senior Officials

The Department for Communities was established on 9 May 2016 following the restructuring of NICS Departments from 12 to 9 after the Assembly elections of May 2016. It operated under the direction and control of the Minister for Communities Paul Givan until 2 March 2017, following which the Department continued to operate whilst discussions were undertaken to form a new Northern Ireland Executive.

The Permanent Secretary, the Department's most senior official, chairs the Departmental Management Board (DMB) which is comprised of the senior official in charge of each business area as well as independent members. The Permanent Secretary was the Accounting Officer for the Department. During the reporting period DMB consisted of the following:

Leo O'Reilly	Permanent Secretary
Andrew Hamilton	Deputy Secretary, Strategic Policy and Resources (then Community Regeneration and Housing Group from 1 September 2016)
Tommy O'Reilly	Deputy Secretary Working Age Group
Jackie Kerr	Deputy Secretary, Strategic Policy & Resources Group (from 22 August 2016)
Ian Maye	Deputy Secretary, Community Cohesion Group
Denis McMahon	Deputy Secretary, Social Inclusion Group
Tracy Meharg	Deputy Secretary, Community Regeneration & Housing Group (until 31 August 2016)
Roy Keenan	Independent Board Member
John West	Independent Board Member
Deep Sagar	Independent Board Member

Appointment of the Permanent Secretary and Members of the Management Board

The permanent head of the Department is appointed by the Civil Service Commission under the terms of Article 6 of the Civil Service Commission (NI) Order 1999.

Appointments to executive DMB positions were determined in accordance with NICS promotion and appointment procedures.

An independent member of the Management Board chaired the Departmental Audit and Risk Assurance Committee and the Universal Credit Programme Board.

Independent board members are appointed by Accounting Officer following open competition.

Conflicts of Interest

A register of board interests is maintained by the Department. No significant interests are currently held by board members which may conflict with their management responsibilities.

Data Protection Arrangements

The Department places considerable emphasis on protective security. All major security incidents are fully investigated to see if the lessons can be learned and existing controls can be improved. During the last financial year there was one major incident relating to information which occurred. The Department continues to maintain a robust approach to protective security.

Statement of Accounting Officer's Responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the Department of Finance has directed the Department for Communities to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department for Communities and of its net resource outturn, application of resources, changes in taxpayers' equity 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, 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 Department of Finance has appointed the Head of the Department for Communities as Accounting Officer of the Department. The Accounting Officer for the Department for Communities is also the Accounting Officer for the Child Maintenance Service Client Funds. 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 Department for Communities' assets, are set out in Managing Public Money Northern Ireland published by the Department of Finance.

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

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

Governance Statement

1. Introduction

The Governance Statement for DfC has been compiled from work throughout the year to support stewardship, management and control of the Department. It supplements the annual accounts and explains the framework of governance and risk management operated in support of my role as Departmental Accounting Officer.

2. DfC Governance Framework

2.1 Overview of Arrangements

DfC has a corporate governance framework which specifies organisation and governance structures; roles and responsibilities of those charged with governance; and key internal control, risk management and assurance arrangements. The framework reflects the key principles of good practice set out in "Corporate Governance in Central Government Departments: Code of Good Practice NI 2013" (the Corporate Governance Code).
The Department operates under the direction and control of the Minister for Communities. The Minister is responsible and accountable to the Assembly for the policies, programmes and actions of the Department. As Permanent Secretary for DfC I am the Minister's principal adviser as well as the administrative head of the Department and the Departmental Accounting Officer. As Accounting Officer I am personally responsible and accountable for the effective management and organisation of the Department, the efficient and effective use of its resources and the stewardship of its assets.

I am assisted in my role as Accounting Officer by a Departmental Management Board. The Board is supported in its role by a Departmental Audit and Risk Assurance Committee and an Information Assurance Committee.

2.2 Departmental Management Board

From 9 May the Departmental Management Board encompassed the five DfC Deputy Secretaries along with Independent Board Members (IBMs) operating as a collegiate committee under my leadership.

The Board was supported throughout the year by the Director of Financial Management and Governance, the Director of Finance and Commercial Services, the Director of HR and Estates and the Director of Strategic Policy and Planning who all attended Board meetings.

The Board met on 10 occasions during 2016–17 with attendance as follows:

Board Members	Board Meetings Attended	Out of a Possible
Leo O'Reilly (Chair) Permanent Secretary	10	10
Andrew Hamilton Deputy Secretary	9	10
Denis McMahon Deputy Secretary	9	10
Tommy O'Reilly Deputy Secretary	8	10
Ian Maye Deputy Secretary	8	10
Jackie Kerr Deputy Secretary (from 22 August 2016)	7	7
Tracy Meharg Deputy Secretary (to 31 August 2016)	3	4
Roy Keenan Independent Board Member	7	10
John West Independent Board Member	7	10
Deep Sagar Independent Board Member (to 31 July 2016)	3	3

2.3 Board Committees

Departmental Audit and Risk Assurance Committee (DARAC)

DARAC is a committee of the Board, independent of the Department's executive structure and with no executive powers. Its role is to support the Board on issues of risk control and governance. It does this through reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's needs and reviewing the reliability and integrity of those assurances.

The committee comprised four independent members and two Independent Board Members (IBMs) up until December 2016 when the number of independent members reduced to three. The committee is chaired by an IBM and executive attendance includes the Deputy Secretary with responsibility for Finance, the two Finance Directors and the Head of Governance. I also attend along with the Head of Internal Audit and the NIAO.

The Committee met four times during 2016–17. The quorum for Committee meetings is three members. All meetings were quorate with attendance as follows:

Audit and Risk Assurance Committee Members	Committee Meetings Attended	Out of a Possible
Roy Keenan, IBM (Chair)	4	4
John West, IBM (Member)	4	4
Patrick Anderson (Independent Member)	3	4
Michael Donnelly (Independent Member)	3	4
Julie Thompson (Independent Member)	4	4
Lianne Patterson (Independent Member to 31 December 2016)	3	3

Departmental Information Assurance Committee (DIAC)

DIAC is also a committee of the Board. Its role is to ensure that the Department has appropriate policies, management and governance systems to effectively protect the considerable volume of information held by DfC.

DIAC assists the Board and me as Accounting Officer with responsibilities relating to the use, processing, storage, sharing and transmission of information or data and the systems and processes used for those purposes.

Information Assurance encompasses physical, personnel and information security; information management; IT security; information systems security and accreditation; information risk management; and the more effective use of information.

DIAC is chaired by the Department's Senior Information Responsible Officer (SIRO). Membership comprises; the Departmental Security Officer (DSO); the Departmental Information Manager (DIM); the Information Technology Security Officer (ITSO); the Departmental Accreditor; the Head of Internal Audit; the Head of Analytical Services and relevant Information Asset Owners as directed by the SIRO.

3. Ministerial Directions

Arrangements exist to respond to situations where an Accounting Officer believes he/she is being asked by a Minister to take a course of action that could potentially result in irregular expenditure, impropriety, or poor value for money. In such circumstances, the Accounting Officer may seek a formal Ministerial Direction to proceed. No Ministerial Directions were sought or given during 2016–17.

4. Board Performance

Issues reserved for the Board's attention were scheduled at the start of the year in an annual planner; these were then assigned to specific meetings throughout the year to ensure Board coverage and attention.

Throughout 2016–17, the Board received regular assurance updates from DARAC and scrutinised a range of issues including:

- a regular stewardship report encompassing key financial, budgetary and HR data; and
- a corporate risk register and group risk registers (on a rotation basis).

The Board obtained assurance relating to the quality of information it received through a variety of measures including:

- assurance ratings from Internal Audit reviews;
- statistical information produced by the Department's statisticians; and
- financial information prepared from internal and external finance systems validated by qualified accountants.

A Register of Board Interests is maintained and 'Conflicts of Interest' is a standing agenda item for Board meetings where members are asked to declare any interests relating to items on the Board agenda. No conflicts were declared by any member at any Board meeting during 2016–17.

Minutes of Board meetings incorporating progress on action points are made available on the DfC intranet and DfC website.

Evaluation of Board effectiveness was undertaken following the end of 2016–17 in accordance with the Corporate Governance Code and the Board's Operating Framework.

Areas assessed covered Performance Management; Control and Risk; and Information. Further improvements to enhance the Board's focus on strategic issues and ALB performance are planned for 2017–18.

5. Board Committee Reports

5.1 Departmental Audit and Risk Assurance Committee

DARAC business was conducted in accordance with the Terms of Reference agreed with the Board and the HM Treasury Audit and Risk Assurance Committee Handbook. In addition to its quarterly meetings the chair convenes Audit Focus Sessions whereby Committee members are provided with more in-depth presentations on selected topics in order to enhance the level of assurance provided to the Board and Accounting Officer. A focus session on 'Management of Cyber Threats' was held in March 2017 and a session on 'Sponsorship of the NI Housing Executive' was held in June 2017. Further sessions are planned in respect of DfC Databases/systems and Welfare Reform mitigations. Oral Briefings are also held with individual Deputy Secretaries to discuss/understand the risks and issues in their areas.

The DARAC chair provides a report to the Board following each DARAC meeting. The report covers the Head of Governance Risk and Assurance report along with the Quarterly DARAC report on Fraud and Raising Concerns. Each report provides the chair's assessment of assurances available to meet the Board and Accounting Officer's assurance needs.

As well as quarterly reports the DARAC chair also provides an Annual Report to the Board summarising the schedule of work undertaken during the year and providing assurance in respect of risk management, control and governance in the Department.

DARAC completed an Audit Committee Self-Assessment Checklist at the end of 2016–17 in line with recommended best practice. The assessment confirmed DARAC's compliance with good practice and the strength of the DfC committee arrangements. One area highlighted from the self-assessment exercise for consideration was the centralisation of the Internal Audit function for the NICS from 2017–18. DARAC will keep this change under review to ensure continued effectiveness of audit reviews and consultancy work under the centralised arrangements.

5.2 Departmental Information Assurance Committee

Key issues considered by DIAC included cybersecurity. Work is underway in conjunction with the Department for Work and Pensions to prepare for cyber risks associated with the planned introduction of new online benefit services.

In relation to data security, departmental guidance is in place to ensure that all information used for operational and financial reporting purposes is handled appropriately. Where information is used by third parties or other parts of government, the Department takes action to ensure that appropriate steps are taken to hold all data securely.

The Department places considerable emphasis on protective security. All major security incidents are fully investigated to see if lessons can be learned and controls improved. During the last financial year there was one major incident where Royal Mail lost a set of duplicate GP notes being sent back to a doctor's surgery via their 'signed for' delivery service.

6. Risk Management Arrangements

6.1 Overview

DfC's risk management framework forms part of the Department's corporate governance system and facilitates compliance with Corporate Governance Code. The framework outlines the Department's approach to risk management and sets out key roles/ responsibilities, risk management processes and reporting procedures.

The framework assists the Department with the identification and management of issues which may hinder the achievement of objectives. It provides a systematic approach that supports improved decision-making, accountability and performance as well as fostering an environment of 'no surprises'. The risk management process is integrated with normal management processes and informs the annual business planning cycle linking risk management and internal control with the Department's ability to fulfil its business objectives.

The Board has agreed its risk appetite which is reflected in risk management tools that are used within the Department. This allows risk owners to establish controls and manage risks in line with Board expectations. The Department maintains risk registers at branch, divisional and corporate level and adopts an escalation methodology informed by the significance of the risk.

The Stadia Capital programme is identified by the NIAO as a risk factor for the Department and is scheduled for audit in 2017–18.

6.2 Corporate Risks

The Departmental Management Board agrees the risks to be included in the Department's Corporate Risk Register and assigns ownership for each risk. Six risks were initially identified relating to restructuring, the 2016–17 budget, ALBs, skills and data. Following further review a total of nine corporate risks were identified and remained on the Corporate Risk Register for the remainder of the year. The nine corporate risks are summarised below:

- Inadequate management of increasing demands and the impact on the Senior Management Team;
- Failure to establish clear priorities for resource allocation;
- Failure to exercise good sponsorship and governance arrangements over ALBs;
- Not having the right people in the right place at the right time;
- Loss or unauthorised disclosure of information;
- Cyber attack resulting in failure of business systems and/or loss of data;
- Significant uncertainties impacting on the reform agenda;
- Serious injury to staff, visitors, and/ or service users to DfC facilities or sites as a result of health and safety failures or breaches; and
- Failure to deliver Welfare Reform and Executive agreed supplementary payments due to insufficient staff resources.

The Corporate Risk Register was considered at each Board meeting and assessment made in respect of new risks to be captured. Two risks were escalated to the Corporate Risk Register from the Community Regeneration & Housing Group in March 2017. These risks related to the Social Housing Reform Programme and NIHE Investment in Stock.

The Board agreed that the risks as articulated had materialised due to the funding situation and that risks in respect of funding for social housing would be identified and assessed as part of the Board's planning for 2017–18.

6.3 Assurance Framework

A key element of the Department's risk management process is the provision of quarterly Assurance Statements by Deputy Secretaries on their risk management processes and internal control arrangements. Deputy Secretaries use their Assurance Statements to identify any exceptions/material concerns within their Groups or the ALBs for which they are responsible. There are sponsor teams across the Department responsible for sponsor arrangements with ALBs. These arrangements together with the ALB Statement of Assurance process inform and support the Deputy Secretary Assurance Statements. Overall, these arrangements form part of the Department's integrated assurance process which informs the work of the Department's Governance Unit and supports the reporting process for DARAC. The Head of Internal Audit (HIA) provides an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. For 2016–17, the HIA provided an overall satisfactory opinion on the Department's arrangements.

DARAC is updated on progress against the internal audit plan and an audit database is used to monitor the implementation of outstanding internal audit recommendations where a limited or unacceptable opinion has been reported. Details of limited opinion reports are included under Significant Issues. The HIA provides an overall opinion based on work undertaken during the year. The HIA opinion for 2016–17 is **'Satisfactory'**.

DARAC is also updated on the Department's arrangements for dealing with fraud and whistleblowing. Cases under enquiry or investigation are reported to DARAC on a quarterly basis. The Department's Fraud Policy details responsibilities regarding the prevention of fraud, bribery or serious irregularity within the Department and its ALBs. The procedures to be followed in the event of any fraud being detected or suspected are detailed in the supporting Departmental Fraud Response Plan.

During 2016–17 44 incidents of suspected fraud were received relating to both the Department and its ALBs. In addition 13 cases of suspected fraud were transferred to the Department from the former Department for Social Development. Of the cases investigated and closed during the year there were 18 cases of actual fraud, 7 cases where fraud was attempted but prevented due to the operation of internal controls and 29 cases where no evidence of fraud was found. Investigations into 3 cases were ongoing at the year end.

The Department's Raising Concerns (Whistleblowing) guidance and procedures explain how staff can raise concerns about potential wrongdoing and how anyone who is not a member of staff can raise concerns about the proper conduct of public business by the Department or its sponsored bodies. During 2016–17 the Department received 32 concerns, 20 of which related to its ALBs.

In addition to assurances received from my Deputy Secretaries and HIA I receive an annual and mid-year inter-departmental report from the DoF Accounting Officer on all services provided by DoF to other Departments. The DoF Accounting Officer has advised me that his HIA has provided a satisfactory audit opinion on shared services overall.

The DoF Accounting Officer also provides an annual Assurance Statement in respect of the administration of housing benefit rates rebates for owner occupiers. Assurance has been provided for 2016–17 on controls in place to ensure that the administration of housing benefit rates rebates for owner occupiers is efficient and effective.

6.4 Significant Issues

Significant issues highlighted in 2015–16 Governance Statements relevant to the functions that transferred to DfC have been managed by the new Department. A summary of the issues in 2015–16 Governance Statements are set out below.

Department for Social Development

- Welfare Reform
- Accuracy of Child Maintenance Assessments
- Social Housing Reform
- Regulation and Inspection of Housing Associations
- Office of National Statistics – Reclassification of Housing Associations
- Peace Bridge in Londonderry
- Reform of Local Government
- Belfast Streets Ahead – Phase 3
- Gambling and Liquor Licensing legislation
- Lineside Urban Development Grant
- Public Accounts Committee Hearing on Land Disposals
- Inspection of the NIHE landlord function
- NIHE oversight
- Housing Benefit Fraud and Error
- Syrian Vulnerable Persons Relocation Scheme
- Equality Scheme – Housing Strategy
- Northern Ireland Central Investment Fund for Charities – perceived conflict of interest

Social Security Agency

- Benefit Fraud and Error
- National Fraud Initiative / Real Time Information initiatives
- Error in Social fund payments

Department of Culture, Arts and Leisure

- Sponsor control of North/South bodies
- Approval of Business Plans for North/South bodies
- Armagh Observatory and Planetarium – Governance Issues and Potential Fraud
- Sport NI – Governance Issues
- Sport NI – Subvention for Tollymore National Outdoor Centre
- Indicative budgets for ALBs
- Grant Funding to the Voluntary and Community Sector
- Libraries NI Valuation of Heritage Assets
- Northern Ireland Events Company
- Casement Park – Emergency Exiting Arrangements
- Data security issue in relation to the Liofa website
- Public Records Management – Limited Internal Audit opinion
- Ministerial Advisory Group for the Ulster Scots Academy – Limited Internal Audit opinion

Department for Employment and Learning (Employment Service)

- Retrospective Approval for Work Connect funding
- Approval of Employment Service programmes / projects
- Ulster Supported Employment Limited – Pension Deficit
- Limited Internal Audit opinion on the Steps 2 Success Programme

The DfC Head of Governance provides a quarterly Risk & Assurance Report to DARAC. The report summarises key risks and issues across the Department along with exceptions/material concerns identified through the Department's integrated assurance process. The assurance process facilitates the capture of exceptions/material concerns within the Department and its ALBs and encompasses issues highlighted in 2015–16 Governance Statements. A separate update on issues included in 2015–16 Governance Statements was also provided to DARAC throughout the year.

The most significant issues during 2016–17 related to the areas detailed below. A number of issues highlighted in 2015–16 Governance Statements remain significant for DfC.

2017–18 Budget Position

The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. An Executive was not formed following the election within the period specified in the legislation. As a consequence, a Budget Act is not yet in place for 2017–18. In the absence of a budget for 2017–18 determined by an Executive, Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 provide for the Permanent Secretary of the Department of Finance to issue cash to departments from the NI Consolidated Fund. These powers are an interim measure designed to ensure that services can be maintained until such times as a budget is agreed and a Budget Act passed.

Fraud and Error in Benefit Expenditure

There is inherent risk of fraud/error associated with the payment of benefits. The estimated level of fraud/error has resulted in qualification of the regulatory audit opinion in previous years and is highlighted by the NIAO as the most significant risk in terms of material misstatement in the Department's financial statements. The NI Social Fund White Paper accounts have also been qualified over the years due to the estimated level of official error in Social Fund expenditure. The level of official error has however reduced significantly and if the reduction is maintained the qualification may be removed.

A wide range of activities are in place to mitigate against the risk of fraud and error within benefits systems. A Fraud and Error Reduction Board is in place to set strategic direction, evaluate operational responses and provide performance assurance to the Departmental Management Board. Case interventions, customer compliance interviews, and criminal investigations are all part of the Department's strategy to reduce fraud within the benefit system.

Activities undertaken to date by NIHE to address the risk of fraud and error in Housing Benefit are set out in a separate Housing

Benefit Fraud and Error Strategy. Looking ahead, responsibility for the levels of fraud/error within housing benefit transferred to the Department with effect from April 2017. Work is well underway to develop and refine operational processes/structures in order that housing benefit fraud/error activity is fully integrated within the Department's counter fraud and error operation. This work is planned for completion during 2017–18 – in tandem with the introduction of Universal Credit.

Activities undertaken by DoF to address the risk of fraud and error in Housing Benefit Rates Rebate are reported to DfC and assurance provided by the DoF Accounting Officer. The Department's SAU monitors fraud and error levels in Housing Benefit Rates Rebate which is also reported to the DARAC.

Welfare Reform

The NIAO has highlighted the significant challenges the Department faces in implementing Welfare Reform with local flexibilities. The programme of Welfare Reform changes and specifically the introduction of Universal Credit represents the most substantial and widespread change to the welfare system in the last 70 years. The working group led by Professor Evason also provided the Executive with recommendations on how best to provide protection for the most vulnerable in Northern Ireland within the available funding. The Executive subsequently agreed to allocate a total of £501 million of a total of £585 million over four years to 'top-up' the United Kingdom welfare arrangements in Northern Ireland with a review in 2018–19.

The delivery of the reforms will involve significant challenges in terms of timescales, organisational structure, operational and IT delivery models and funding arrangements. There are also dependencies on external bodies to ensure the successful delivery of the reforms.

A range of Welfare reforms have gone live including the Benefit Cap, Personal Independence Payment and Discretionary Support.

Accuracy of Child Maintenance Assessments

There are long standing issues with the accuracy of child maintenance assessments and recorded arrears, under both the 1993 and 2003 Child Maintenance Schemes. These are reflected in NIAO qualifications to the Child Maintenance Client Funds Account. These historic weaknesses are unlikely to be substantially resolved.

As a result, the 1993 and 2003 schemes have been closed to new applications since November 2013 and the process to close all cases on the 1993 and 2003 systems is well underway.

The replacement 2012 Scheme is underpinned by completely new operational and accounting systems which are maintained on an entirely separate IT platform and parents are now supported and encouraged to make their own family-based arrangements.

DfC Remit in respect of Local Government and the Appeals Service

Legislation that would have allowed for the dissolution of the Local Government Staff Commission and for the transfer of The Appeals Service to the Department of Justice did not progress in the last mandate. These bodies remain the responsibility of the Department until such time as legislation can be progressed.

Social Housing Reform Programme

The Social Housing Reform Programme was initiated to take forward work on Ministerial proposals for reform of the social housing sector. The decision to have no rent uplift in 2016–17 and the prospect that the freeze will last until 2019–20, will require social housing reform to be re-framed in the context of significantly reduced landlord income.

Policy proposals for tenant participation have been progressed and the contract for an independent Tenant Organisation was awarded to Supporting Communities in February 2017.

Regulation and Inspection of Housing Associations

DfC currently operates a Housing Association inspection regime. Inspections take account of proposed and actual mergers between Housing Associations. All 20 Housing Associations are currently rated as satisfactory or above. Four planned inspections have however been deferred until 2017–18.

Concerns in respect of Housing Associations are considered in the context of the Department's regulatory role, recognising the status of Housing Associations as independent bodies. Regulatory enquiries made as a result of concerns raised will inform any regulatory action/improvement required.

Following the announcement by the Office for National Statistics that Housing Associations in Northern Ireland would be reclassified from the private to the public sector a public consultation on proposed changes to allow retention of the current private status has been completed. The new system of Housing Association regulation to be introduced in 2017–18 will ensure that the Department's regulatory role fully reflects this.

Judicial Review of Special Needs Management Allowance

A Judicial Review raised issues in respect of the Department's decision to cease payment of the Special Needs Management Allowance to Residential Care Homes managed by Housing Associations. A remedy via a Court Order is in place, with work continuing on the associated policy issues and the impact of re-instatement.

Limited Opinion Audit Reports

During 2016–17 Internal Audit issued two limited opinion reports. Limited opinions related to the capital delivery programme (excluding the Stadia programme) and review of arrangements for safeguarding children and vulnerable adults, both within the Department's Community Cohesion Group. A further limited opinion report was issued following the end of 2016–17 in respect of the Together: Building a United Community Programme within the Housing Group. Recommendations are being progressed and Internal Audit will follow up in 2017–18.

The Stadia Capital programme is identified by the NIAO as a risk factor for the Department and is scheduled for Internal Audit review in 2017–18.

Internal Audit follow up has been completed on all limited opinion reports inherited by the Department with the exception of the limited opinion report on the Steps to Success Employment Programme within the former Department of Employment and Learning. All recommendations in this report are recorded as implemented and Internal Audit follow up will be completed early in 2017–18.

The audit opinion has been upgraded to satisfactory for all areas except oversight of North/South language bodies and Historic Environment Division enforcement. Further work will be undertaken in these areas in 2017–18.

In addition, during the period an NICS wide assurance review of the management of IT security and information risk was performed and a limited opinion was provided. The review considered the governance structures, processes, roles and responsibilities which underpin the Information Assurance Framework. While a number of instances of good practice were identified, the review highlighted significant issues that impacted systemically across all Departments.

Northern Ireland Central Investment Fund for Charities (NICIFC)

The Department is responsible for administering the NICIFC which, as a charity, is required to register with the Charity Commission for Northern Ireland (CCNI). DfC is the sponsor Department for CCNI.

The Department has engaged with CCNI during 2016–17 on arrangements for managing any perceived conflict of interest in respect of the Department's role as sponsor for CCNI. Pending this no new members have been admitted to the NICIFC and registration with CCNI has not progressed. Arrangements are expected to be finalised early in 2017–18. The NICIFC can then be called forward for registration by CCNI and re-opened to new members.

Northern Ireland Events Company

The Public Accounts Committee produced its report on the failure of the Northern Ireland Events Company in February 2016 with the Memorandum of Reply presented to the Northern Ireland Assembly on 22 June 2016. All creditor claims against the company have been settled and the company will now be wound up. Lessons learned from the NI Events Company issue have been incorporated in current departmental governance and sponsorship arrangements.

North/South Language Bodies

In the absence of a DfC Minister it was not possible to secure North South Ministerial Council (NSMC) approval of 2017 Business Plans for North/South language bodies. While arrangements have been made with DoF to ensure legality of payments in the absence of Business Plans, expenditure will be irregular until the NSMC approves Business Plans and retrospective approval is secured from DoF.

Armagh Observatory and Planetarium (AOP)

AOP was formed in March 2016 when the Armagh Observatory and the Armagh Planetarium came together. Issues relating to procurement, approval of Direct Award Contracts and the management/control of assets within the Planetarium were investigated during 2014–15, 2015–16 and 2016–17. The NIAO is currently preparing a report, on these matters and the irregular expenditure incurred, to be included in the Planetarium's Annual Report and Accounts for 2014–15 and 2015–16.

A single Chief Executive has been appointed to AOP and the organisation is taking steps to strengthen and reshape its framework of governance and accountability. Sponsor arrangements within the Department take account of the governance improvements required within AOP, including those identified from the Planetarium investigation.

Sport NI

Issues around the culture and management of Sport NI, and its HR practices were highlighted in the 2015–16 Governance Statement for the Department of Culture, Arts and Leisure (DCAL). Action on these areas was progressed through the Sport NI Transformation Programme. This work was completed by the end of May 2017 and the resulting changes in culture, management and HR practices continue to be embedded in the organisation's day to day business.

Investigation of whistleblower concerns raised through DCAL arrangements were progressed during 2016–17. Any concerns raised since May 2016 are addressed under the Department's Raising Concerns (whistleblowing) arrangements.

Issues with the quality of Financial Statements presented for audit meant that the 2014–15 audit was unable to progress until 2016–17. The audit will be carried out in parallel with the audit of 2015–16 financial statements and the NIAO will attach a report on governance issues to the financial statements. The C&AG has also signalled his intention to publish a standalone report examining Sport NI governance issues in more detail, including the sponsorship relationship with DCAL. Work on the report is currently underway.

The former Chief Executive's appeal against dismissal was upheld by an independent panel and that position was endorsed by the Sport NI Board on 14 June 2017.

7. Conclusion

I am satisfied that DfC has effective governance arrangements in place that I can rely on as Accounting Officer to provide assurance that the public funds and other resources for which I am accountable are deployed effectively. Where significant issues have arisen I am satisfied that appropriate action is being taken to address the issues concerned.

Remuneration and Staff Report

The remuneration and staff report gives details of the salaries and pensions of the Department's staff during the accounting period. The remuneration report deals largely with details pertaining to senior management and ministers, whereas the staff report gives details of staffing costs for the Department as a whole, including for those not permanently employed by the Department, the pension schemes available to employees, policies on managing attendance and employment of disabled staff as well as details of the costs of any staff exit packages.

Remuneration Report

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have 8 pay points) to allow progression through the pay scales within a reasonable period of time.

Service Contracts

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

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

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

Salary and pension entitlements

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

Remuneration (including salary) and pension entitlements (Audited Information)

	2016–17 (DfC)				2015–16 (DSD)			
Minister	Salary £	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £1,000)	Total (to nearest £1,000)	Salary £	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £1,000)	Total (to nearest £1,000)
Mervyn Storey Member of Legislative Assembly (from 24 September 2014 to 10 September 2015, then 20 October 2015 to 11 January 2016)					25,572	–	10,000	36,000
Lord Morrow Member of Legislative Assembly (from 12 January 2016 to 5 May 2016)	3,677	–	1,000	5,000	7,560	–	6,000	14,000
Paul Givan Member of Legislative Assembly (from 25 May 2016 to 2 March 2017)	29,419	–	9,000	38,000				

Senior Management Remuneration (Audited Information)

	2016–17				2015–16			
Officals	**Salary £'000**	**Benefits in kind (to nearest £100)**	**Pension Benefits** (to nearest £'000)**	**Total £'000**	**Salary £'000**	**Benefits in kind (to nearest £100)**	**Pension Benefits** (to nearest £'000)**	**Total £'000**
Mr Leo O'Reilly Permanent Secretary	115–120	–	52,000	165–170	110–115	–	55,000	165–170
Mr Andrew Hamilton Temporary Permanent Secretary (from 2 March 2015 to 8 May 2016)					110–115	–	97,000	205–210
Andrew Hamilton Deputy Secretary Community Regeneration and Housing (retired 31 March 2017)	100–105	–	(60,000)	40–45				
Mr Ian Maye Deputy Secretary Community Cohesion	90–95	–	33,000	120–125	35–40 (85–90 full year equivalent)	–	17,000	50–55
Ms Tracy Meharg Deputy Secretary Community Regeneration and Housing (until 31 August 2016)	100–105	–	12,000	110–115	95–100	–	43,000	140–145
Mr Tommy O'Reilly* Deputy Secretary Working Age	100–105	–	13,000	115–120	100–105	–	6,000	100–105
Dr Denis McMahon Deputy Secretary Social Inclusion	90–95	–	34,000	125–130	105–110	–	85,000	195–200

Senior Management Remuneration (Audited Information) (continued)

	2016–17				2015–16			
Officals	**Salary £'000**	**Benefits in kind (to nearest £100)**	**Pension Benefits** (to nearest £'000)**	**Total £'000**	**Salary £'000**	**Benefits in kind (to nearest £100)**	**Pension Benefits** (to nearest £'000)**	**Total £'000**
Mrs Jackie Kerr Deputy Secretary Strategic Policy and Resources	50–55	–	101,000	150–155	–	–	–	–
Deep Sagar Independent Board Member (to 31 July 2016)	0–5	Expenses during 2016–17= £749.73	–	0–5	5–10	Expenses during 2015–2016= £1,569.50	–	5–10
Mr John West Independent Board Member	5–10	Expenses during 2016–17= £222.10	–	5–10	5–10	–	–	5–10
Mr Roy Keenan Independent Board Member	5–10	Expenses during 2016–17= £1,634.90	–	10–15	10–15	Expenses during 2015–16= £2,341.95	–	–
Band of Highest Paid Director's Total Remuneration	115–120				110–115			
Median Total Remuneration	£24,975				£24,208			
Ratio	4.70				4.65			

*In line with the SCS pay award arrangements for 2012, staff who, after assimilation to the new pay scales, received less than 1% consolidated increase to their salary received a non-consolidated pensionable payment to bring them up to the equivalent value of 1%. One official in the £100–105k pay band received a non-consolidated pensionable payment in 2016–17 (2015–16 one in the £100–105k pay band).

**The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

Fair Pay Disclosures (Audited Information)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Department in the financial year 2016–17 was £115-120k (2015–16 £110–£115k). This was 4.70 times the median remuneration of the workforce, which was £24,975. For the 2015–16 year the median pay fell within the range £24,208 (DSD) to £34,562 (OFMDFM) in the legacy departments which formed DfC (with the other legacy departments in between – the DSD figure is possibly the best comparative figure as it is the largest component legacy department of DfC and the corresponding ratio between the median pay figure and the highest paid director ranged from 4.0 to 4.65.

No employee received remuneration in excess of the highest paid director in 2016-17, nor in 2015–16. Remuneration ranged from £17,352 to £119,556 (2015–16, (DSD) £16,300 to £110,191). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions, nor the cash equivalent transfer value of pensions.

The change in the pay multiple ratio between 2016–17 and 2015–16 is due to a change in the payband of the highest paid director.

Salary

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

The Department for Communities was under the direction and control of Lord Morrow (as the Department for Social Development) up to 5 May and then, from 25 May 2016, under the control of Paul Givan up to 2 March 2017. Ministerial salaries and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. These amounts do not include costs relating to the ministers' role as MLA which are disclosed elsewhere.

Benefits in kind

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

Pension Benefits (Audited Information)

Minister	Accrued pension at pension age at end date	Real increase in pension at pension age	CETV at end date	CETV at start date	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Lord Morrow Member of Legislative Assembly (1 April 2016 to 5 May 2016)	0–5	0–2.5	28	27	1
Paul Givan Member of Legislative Assembly (25 May 2016 to 2 March 2017)	0–5	0–2.5	13	9	1

Ministerial pensions

Pension benefits for ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2016 (AMPS). In 2011 the Assembly passed the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) establishing a panel to make determinations in relation to the salaries, allowances and pensions payable to members of the Northern Ireland Assembly. In April 2016 the Independent Financial Review Panel issued the Assembly Members (Pensions) Determination (Northern Ireland) 2016 which introduced a Career Average Revalued Earnings (CARE) scheme for new and existing members. Existing members born on or before 1 April 1960 retain their Final Salary pension arrangements under transitional protection until 6 May 2021. The new scheme is named Assembly Members' Pension Scheme (Northern Ireland) 2016 (AMPS) and replaces the 2012 scheme.

As ministers are Members of the Legislative Assembly they also accrue a MLA's pension under the AMPS (details of which are not included in this report). Pension benefits for ministers under transitional protection arrangements are provided on a "contribution factor" basis which takes account of service as a minister. The contribution factor is the relationship between salary as a minister and salary as a member for each year of service as a minister. Pension benefits as a minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a member. Pension benefits for all other ministers are provided on a career average (CARE) basis.

Benefits for ministers are payable at the same time as MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 9% or 12.5% of their ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 14.4% of the ministerial salary.

The accrued pension quoted is the pension the minister is entitled to receive when they reach normal pension age for their section of the Scheme. Ministers under transitional protection arrangements may retire at age 65. Ministers in the CARE scheme have a pension age aligned to their State Pension Age.

The Cash Equivalent Transfer Value (CETV)

This 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total office holder service, not just their current appointment as a minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the increase in accrued pension due to the Department's contributions to the AMPS and excludes increases due to inflation and contributions paid by the minister and is calculated using common market valuation factors for the start and end of the period.

Pensions of Senior Management (Audited Information)

Officals	Accrued pension at pension age as at 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/17	CETV at 31/3/16	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr Leo O'Reilly Permanent Secretary	55–60 plus lump sum 175–180	0–2.5 plus lump sum 7.5–10	1,309	1,261	50	–
Mr Andrew Hamilton Deputy Secretary Community Regeneration and Housing (retired 31 March 2017)	35–40 plus lump sum 250–255	(7.5–10) plus lump sum 110–115	1,005	1,047	(46)	–
Mr Tommy O'Reilly Deputy Secretary Working Age	40–45 plus lump sum 130–135	0–2.5 plus lump sum 2.5–5	1,006	949	13	–
Mr Ian Maye Deputy Secretary Community Cohesion	35–40 plus lump sum 105–110	0–2.5 plus lump sum 5–7.5	728	669	28	–
Dr Denis McMahon Deputy Secretary Social Inclusion	10–15	0–2.5	214	184	16	–
Mrs Jackie Kerr Deputy Secretary Strategic Policy and Resources	30–35 plus lump sum 90–95	2.5–5 plus lump sum 10–12.5	587	491	73	–
Tracy Meharg Deputy Secretary Community Regeneration and Housing (until 31 August 2016)	30–35 plus lump sum 100–105	0–2.5 plus lump sum 0–2.5	699	664	11	–

Northern Ireland Civil Service (NICS) Pension Schemes

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with changes in the cost of living.

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

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 to 31 March 2018 are as follows:

Scheme Year 1 April 2017 to 31 March 2018

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – Classic members or classic members who have moved to alpha	Contribution rates – all other members
From £	**To £**	**From 01 April 2017 to 31 March 2018**	**From 01 April 2017 to 31 March 2018**
0	15,000.99	4.6%	4.6%
15,001.00	21,422.99	4.6%	4.6%
21,423.00	51,005.99	5.45%	5.45%
51,006.00	150,000.99	7.35%	7.35%
150,001.00 and above		8.05%	8.05%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website **www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni**

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and, from 2003–04, the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Staff Report (Audited Information)

Staff costs comprise:

	2016–2017					2015–2016
	Permanent staff* £'000	Others £'000	Ministers £'000	Special advisers £'000	Total £'000	Total £'000
Wages and salaries	191,938	7,342	33	–	199.313	222,374
Social security costs	17,244	–	4	–	17,248	12,954
Other pension costs	40,321	–	5	–	40,326	42,254
Sub Total	249,503	7,342	42		256,887	277,582
Less recoveries in respect of outward secondments	(99)	–	–	–	(99)	–
Total net staff costs	**249,404**	**7,342**	**42**		**256,788**	**277,582**
Of which:	Charged to Administration	Charged to Programme	**Total**			
Core Department	35,664	221,124	**256,788**			
Total net costs	**35,664**	**221,124**	**256,788**			

*Permanently employed staff includes the cost of the Department's Special Advisor employed during the financial year 2016–17. The Advisor was paid in the Special Adviser pay band of £59,627 to £91,809 (2015–16: £59,627 to £91,809). The 2016–17 pay award for Special Advisers is currently outstanding.

Ministerial salaries and allowances were paid by the Northern Ireland Assembly and have therefore been treated as a notional cost in these resource accounts. Details of the ministerial salary, allowances and other benefits are given above. These amounts do not include costs relating to the minister's role as MLA/MP/MEP which are disclosed elsewhere.

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Department is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2017. For 2016–17, employer's contributions of £39.511 million were payable to the PCSPS(NI) (2015–16 £42.197 million) at one of four rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the actuary during 2014–15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2017–18, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2016–17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer's contributions of £0.079 million (2015–16 £0.060 million) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2015–16: 3% to 14.7%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.002 million, 0.5% (2015–16 £0.003 million, 0.5%) of pensionable pay, were payable to the NICS pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

Thirty-three (2015–16 twenty-six) individuals retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.044 million (2015–16 £0.062 million).

Average Number of Persons Employed

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

	2016–2017					2015–2016
Departmental Activity	**Permanent staff**	**Others**	**Ministers**	**Special advisers**	**Total**	**Total**
Strategic Policy & Resources	533	3	1	1	538	637
Community Regeneration & Housing	297	5	–	–	302	348
Community Cohesion	268	16	–	–	284	256
Working Age Group & Social Inclusion Group and Child Maintenance Service	6,304	573	–	–	6,877	6,983
Staff engaged on capital projects	–	–	–	–	–	–
Total	**7,402**	**597**	**1**	**1**	**8,001**	**8,224**
Of which:						
Core Department	**8,001**					

Senior Staff by Payband

The number of full-time equivalent SCS (or equivalent) staff by pay band is as follows:

Band £'000	Male	Female	Total
66–75	15	9.9	24.9
76–85	2	1	3
86–95	1.2	0.9	2.1
96–105	2	0	2
106–115	0.2	0	0.2
116–125	1	0	1
Total	**21.4**	**11.8**	**33.2**

Employee Gender

At 31 March 2017 there were 8,116 staff (based on staff headcount) plus an additional 625 recruitment agency staff employed within the Department. This figure excludes staff on career breaks. Below is a gender breakdown including staff at Grade 5 and above:

	Male	Female	Total
Senior Staff (Grade 5+)	23	12	35
Employees	3,586	5,120	8,706
Total	**3,609**	**5,132**	**8,741**

Our Managing Attendance Arrangements

The overall sick absence target for 2015–16 (DSD) was 10.7 days lost per employee. The Department did not achieve its target for that period, with an overall sick absence rate of 13.1 days lost per employee. No NICS-wide or departmental sick absence rate targets were set for 2016–17. NISRA's projection for 2016–17 outturn for the Department for Communities is currently estimated at 14.5 days lost per employee. The verified figures for 2016–17 will not be available until mid-September 2017.

The NICS WELL Programme on health and wellbeing focuses on prevention, early intervention and responsibility. Staff are encouraged to look after their own health, providing them with information, advice and support to make healthy lifestyle choices, with the aim of preventing illness. Some specific actions during the last year include:

- Development of a Positive Mental Health Toolkit for all staff
- Development of a Positive Mental Health Toolkit for Line Managers
- Mindfulness in the Workplace Workshops
- WELL Health Check Road-shows

Some courses that were available to staff and that they were encouraged to attend include:

- Personal Resilience
- Creating a Resilient Team
- Dealing with Difficult Conversations
- Mental Health Awareness for Line Managers

Some other resources that were available for staff include the following e-learning courses:

- Dealing with Difficult Situations
- Line Manager's Role in Managing Stress
- Managing Personal Stress and Resilience

Our Policy on Employment of Disabled Persons

We aim to provide access to a full range of recruitment and career opportunities for all people with disabilities. Through good management practice, and increased disability awareness, we aim to establish a working environment and culture that encourages the full participation of disabled people. Our Department's Disability Liaison Officers are available to offer specific advice and guidance on reasonable adjustments which may be required for any member of staff who has a health condition that falls within the remit of the Disability Discrimination Act.

Consultancy Expenditure

During the 2016–17 year the Department spent £1,103,096 on external consultancy (£1,718,523 in 2015–16). This expenditure is incurred where there is a requirement for an expertise which existing members of staff may not have, an additional resource when it is not available internally, or an independent view or assessment when required.

The Department also spent £7.342 million on the employment of temporary staff. These staff were largely engaged in work relating to the implementation of welfare reform and debt transformation- the development of appropriate systems and processes to enable debt recovery from the new benefits and schemes arising from Welfare Reform legislation within Northern Ireland.

Off-Payroll Engagements

Off-payroll engagements at an annual cost of over £58,200 per annum during 2016–17 are outlined below:

A Off payroll engagements as at 1 April 2016	**9**
B New engagements or those reaching 6 months' duration during the year	**11**
Of those noted at B:	
Engagements including contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	11
Engagements where assurance has been requested	0
Engagements for whom assurance has been requested and received	0
Engagements for whom assurance has been requested but not received	0
Engagements that have been terminated as a result of assurance not being received	0
C Number of engagements that have come onto the payroll during the year	**0**
D Engagements that have come to an end during the year	**5**
E Closing number of engagements at 31 March 2017	**15**

Exit Packages (Audited Information)

The following section is subject to audit. Data for the 2015-16 year is shown in brackets.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	–	5 (27)	5 (27)
£10,000–£25,000	–	3 (386)	3 (386)
£25,000–£50,000	–	10 (162)	10 (162)
£50,000–£100,000	–	0 (59)	0 (59)
£100,000–£150,000	–	0 (1)	0 (1)
£150,000–£200,000	–	–	–
Total number of exit packages by type	**–**	**18 (635)**	**18 (635)**
Total Resource Cost £	**–**	**444,839 (15,714,182)**	**444,839 (15,714,182)**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the Northern Ireland Civil Service pension arrangements and are not included in the table.

The figures for 2015–16 above include costs of £15.5 million relating to the NICS voluntary exit scheme.

Assembly Accountability and Audit Report

This details the voted monies drawn down from the Assembly (Supply) by the Department along with supporting notes to the summary information in the Statement of Assembly Supply and other disclosures pertaining to losses, fees and charges, remote contingent liabilities and long-term expenditure trends.

Statement of Assembly Supply (Audited Information)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department for Communities to prepare a Statement of Assembly Supply (SoAS) and supporting notes to show resource outturn against Supply Estimate presented to the Assembly, in respect of each request for resources.

As a result of departmental restructuring during 2016–17, the prior year comparative figures in the IFRS-based primary statements have been restated in accordance with FReM accounting requirements. However, the prior year comparatives for the Statement of Assembly Supply have not been restated as this statement is indelible. As no Supply Estimate was presented to the Assembly for the 2015–16 year for the new Department for Communities, the prior year comparatives in the SoAS for 2016–17 are not shown.

Summary of Resource Outturn 2016–17

	Estimate			Outturn			
	Gross Expenditure £'000	**Accruing Resources £'000**	**Net Total £'000**	**Gross Expenditure £'000**	**Accruing Resources £'000**	**Net Total £'000**	**Net total outturn compared with estimate: saving/(excess) £'000**
Request for Resources A (note SoAS1) Providing a fair system of financial help to those in need; tackling disadvantage; promoting social and economic equality; personal development; tackling poverty; social exclusion; services that encourage family based child maintenance arrangements; access to decent, affordable sustainable homes and housing support services; improving the physical, economic, community and social environment of neighbourhoods, towns and cities; securing excellence and equality across culture, arts and leisure and developing a confident, creative, informed and healthy society; helping people into employment; protecting, conserving and enhancing our diverse built heritage and supporting principles of sustainable development so that it can be enjoyed by future generations; promoting and protecting the interests of children, older people, people with disabilities and other socially excluded groups.							
	4,480,109	(123,863)	4,356,246	4,338,837	(118,752)	4,220,085	136,161
Total resources (SoAS9)	4,480,109	(123,863)	4,356,246	**4,338,837**	**(118,752)**	**4,220,085**	**136,161**
Non-operating AR			(28,204)			**(18,792)**	**(9,412)**

Net Cash Requirement 2016–17

	Note	**Estimate £'000**	**Outturn £'000**	**Net total outturn compared with estimate: saving/ (excess) £'000**
Net cash requirement	SoAS9	4,259,130	4,088,625	170,505

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in bold).

	Note	2016–17 Income £'000	**Forecast Receipts £'000**	2016–17 Income £'000	**Outturn Receipts £'000**
Total	SoAS10	770	**770**	2,051	**2,202**

Explanations of variances between Estimate and outturn are given in Note SoAS1 and in the Performance Report.

The notes on pages 81 to 163 form part of these accounts.

SoAS1 Analysis of net resource outturn by function 2016–17

	Outturn						Estimate		
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000
Request for Resources A (RfR A): Providing a fair system of financial help to those in need; tackling disadvantage; promoting social and economic equality; personal development; tackling poverty; social exclusion; services that encourage family based child maintenance arrangements; access to decent, affordable sustainable homes and housing support services; improving the physical, economic, community and social environment of neighbourhoods, towns and cities; securing excellence and equality across culture, arts and leisure and developing a confident, creative, informed and healthy society; helping people into employment; protecting, conserving and enhancing our diverse built heritage and supporting principles of sustainable development so that it can be enjoyed by future generations; promoting and protecting the interests of children, older people, people with disabilities and other socially excluded groups.									
Departmental Expenditure in DEL									
Social Security Administration	35,615	219,407	8,443	263,465	(13,382)	250,083	291,129	41,046	19,727
Belfast Benefit Delivery Centre	–	20,297	–	20,297	(20,297)	–	–	–	–
Eastern Area (GB Child Maintenance Group)	–	29,380	–	29,380	(29,380)	–	–	–	–
Child Maintenance Service	–	15,777	–	15,777	(338)	15,439	19,236	3,797	463
Mesothelioma Compensation Scheme	–	–	69	69	(69)	–	–	–	–
Independent Living Fund	–	–	–	–	–	–	8,500	8,500	–
Discretionary Support Scheme	–	–	12,637	12,637	–	12,637	13,720	1,083	123
Housing benefit	–	–	118,526	118,526	–	118,526	130,397	11,871	3,169
Grants to Motability	–	–	–	–	–	–	1,000	1,000	–
Housing	4,503	1,775	6,955	13,233	(25,105)	(11,872)	254	12,126	5,221

	Outturn						Estimate		
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000
Housing Grants to the NI Housing Executive	–	7,434	27,777	35,211	–	35,211	36,500	1,289	–
Interest Payments on Housing Loans	–	29,406	–	29,406	(29,406)	–	–	–	–
Urban Regeneration	9,109	6,730	38,798	54,637	(28)	54,609	57,280	2,671	830
Community and Voluntary Sector funding	1,536	165	15,872	17,573	–	17,573	12,634	(4,939)	–
EU Programme for Peace and Reconciliation	–	–	–	–	–	–	–	–	–
Library and Other Services	(13)	–	323	310	–	310	2,128	1,818	–
Arts and Museums	971	891	4,048	5,910	–	5,910	5,864	(46)	41
Sports	1,643	1,530	3,284	6,457	(189)	6,268	12,865	6,597	729
Cultural Policy and Languages	621	196	636	1,453	–	1,453	3,337	1,884	235
Public Record Office of Northern Ireland	(2)	4,419	90	4,507	(52)	4,455	4,467	12	32
Historic Environment Division	–	6,327	297	6,624	(336)	6,288	6,585	297	489
Local Government Services	1,551	–	53,397	54,948	(170)	54,778	49,071	(5,707)	26
Employment and Skills	–	–	24,005	24,005	–	24,005	32,450	8,445	–

	Outturn						Estimate		
Annually managed expenditure (AME):	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000
Non-contributory and means-tested benefits:									
– Pension benefits	–	–	5,946	5,946	–	5,946	6276	330	330
– Disability benefits	–	–	1,398,100	1,398,100	–	1,398,100	1,421,212	23,112	28,968
– Industrial injuries benefits	–	–	29,387	29,387	–	29,387	29,464	77	824
– Pension credit	–	–	261,012	261,012	–	261,012	268,349	7,337	7,337
Income support – non-Pensioners, Jobseeker's Allowance, Employment and Support Allowance and Universal Credit:									
– Income support – non-pensioners	–	8,027	154,009	162,036	–	162,036	173,970	11,934	11,934
– Jobseeker's allowance	–	–	104,145	104,145	–	104,145	129,372	25,227	6,600
– Employment and support allowance (income related)	–	–	503,369	503,369	–	503,369	528,634	25,265	25,265
– Universal Credit	–	–	–	–	–	–	65	65	–
Job Grant	–	–	1,425	1,425	–	1,425	500	(925)	31
Housing benefit (rent)	–	–	577,733	577,733	–	577,733	552,427	(25,306)	6,267
Discretionary housing payments	–	–	3,286	3,286	–	3,286	6,681	3,395	3,397
Provisions, depreciation and impairments	–	56,561	–	56,561	–	56,561	22,241	(34,320)	4,399

	Outturn						Estimate		
Non-Budget:	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net Total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000
Social Fund (Regulated)	–	–	4,534	4,534	–	4,534	12,752	8,218	8,218
Social Fund in respect of Winter Fuel Payments	–	–	52,900	52,900	–	52,900	52,979	79	146
Northern Ireland National Insurance Fund	–	–	61,100	61,100	–	61,100	66,200	5,100	–
Grant-In-Aid Paid to the Northern Ireland Housing Executive	–	–	286,000	286,000	–	286,000	278,063	(7,937)	4,063
Charity Commission (NI)	–	–	1,918	1,918	–	1,918	1,700	(218)	44
Ulster Supported Employment Limited	–	–	953	953	–	953	800	(153)	47
Arts Council of Northern Ireland	–	–	11,269	11,269	–	11,269	11,373	104	35
National Museums and Galleries Northern Ireland	–	–	13,343	13,343	–	13,343	12,813	(530)	–
Sports Council for Northern Ireland	–	–	13,577	13,577	–	13,577	9,493	(4,084)	–
Northern Ireland Library Authority	–	–	30,986	30,986	–	30,986	33,434	2,448	912
Armagh Observatory and Planetarium	–	–	1,917	1,917	–	1,917	1,815	(102)	–
Northern Ireland screen	–	–	–	–	–	–	1,811	1,811	–
Northern Ireland Museum Council	–	–	226	226	–	226	221	(5)	6
Language Body	–	–	4,770	4,770	–	4,770	5,162	392	496

	Outturn						Estimate		
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000
Commissioner for Children and Young People for Northern Ireland	–	–	1,398	1,398	–	1,398	1,357	(41)	18
Commissioner for Older People for Northern Ireland	–	–	880	880	–	880	820	(60)	2
Local Government Staff Commission	–	–	2,000	2,000	–	2,000	-	(2,000)	(2,000)
Notional Charges	33,641	–	–	33,641	–	33,641	38,845	5,204	5,204
Total	**89,175**	**408,322**	**3,841,340**	**4,338,837**	**(118,752)**	**4,220,085**	**4,356,246**	**136,161**	**143,628**

This note shows the National Insurance Fund (NIF) administration costs for Northern Ireland being incurred in the Admin column and offset by the income in the Accruing Resources (AR) column.

Explanation of the variation between Estimate and outturn for Request for Resources A (RfR A)

The Department has incurred a number of technical excess votes, which arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016–17 Spring Supplementary Estimates and associated Budget Bill did not take place. Consequently, the Supply Estimate position shown in the Statement of Assembly Supply is the Main Estimates position. Had the Supplementary Estimates and associated Budget Bill been approved by the Assembly to reflect changes to departmental budgets that had previously been agreed by the Executive or changes that could reasonably have been expected to have been agreed in the January monitoring round, the majority of these technical excesses would not have occurred.

SoAS2 Contributory benefit expenditure paid from the National Insurance Fund

2016–17		
Pension benefits	**Note**	**£'000**
Retirement pension		
– basic element		1,732,573
– additional component		439,605
Christmas bonus		3,515
Widow's benefit		
– basic element		12,232
– additional component		1,370
– widow's payment		6,206
Unemployment, Invalidity and Sickness Benefits		(37)
Unemployment, incapacity and other benefits		
Jobseeker's Allowance		
– Contributions Based		13,866
Incapacity Benefit		
– basic element		(707)
– additional component		–
Employment Support Allowance (Contribution Based)		339,490
Other		–
Family benefits		
Maternity Allowance		12,692
Other		38,822
Periodicity and Paydays		–
Total	**SoAS8.2**	**2,599,627**

Other family benefits include: new state pension – basic £37.741 million, new state Pension – Additional £1.081 million.

The notes on pages 81 to 163 form part of these accounts.

SoAS3 Non-contributory benefit expenditure

2016–17	
Pension benefits	**£'000**
Non-contributory retirement pension	4,343
Christmas bonus	1,603
Other	–
Disability allowance	
Attendance allowance	199,981
Carers allowance	156,218
Severe disablement allowance	6,199
Disability living allowance	1,020,555
Disability working allowance	(4)
Miscellaneous Diseases Scheme	(3)
Industrial injuries benefits	**29,419**
Income support for the elderly/Pension Credit	
Income support for the elderly	1,213
Pension Credit	265,579
Family benefits	
Child benefit	–
Family credit	(38)
Child Support Maintenance bonus	–
Maternity Payments	**1,376**
Periodicity and Paydays	**–**
Community Care Grants	**10,481**
Other Fair Value Adjustments and Write Offs – Crisis Loan	1,685
Income support – non-pensioners and Jobseeker's Allowance	
Income support (non-pensioners)	151,341
Jobseeker's allowance (income based)	106,508
Jobseeker's allowance (contribution based)	–
Employment Support Allowance (Non-contribution Based)	505,573
Other	16,935
Total	**2,478,964**

Other income support includes: Personal Independence Payment (PIP) £16.935 million.

SoAS4 Statutory benefits

2016–17		
	Note	£'000
Statutory Sick Pay (SSP)		(100)
Statutory Maternity Pay (SMP)		57,200
Statutory Parental Pay (SPP)		1,500
Statutory Shared Parental Pay (SSPP)		1,600
Statutory Adoption Pay (SAP)		900
Other		–
Total		**61,100**

The notes on pages 81 to 163 form part of these accounts.

SoAS5 Other social grants and disbursements

2016–17		
	Note	**£'000**
Grants to independent bodies		
Independent living funds	SoAS1	–
Motability	SoAS1	–
Other		–
Housing benefit		
Rent rebate	SoAS1	215,301
Rent allowances	SoAS1	362,432
Rates	SoAS1	118,526
Other		–
Discretionary Housing Payments	**SoAS1**	**3,286**
New deal – lone parents		**–**
Social Fund disbursements		**–**
Funeral payments		–
Cold weather payments		–
Maternity payments		–
Community care payments		–
Winter fuel payments		52,857
Other-fair value adjustments and impairment of debt written off		2,021
Total		**754,423**

The notes on pages 81 to 163 form part of these accounts.

SoAS6 National Insurance Fund Administration

2016–17		
	Note	£'000
NIF Administration costs incurred by the Department		12,536
NIF Administration costs incurred by other Government Departments (OGDs)		–
Other		–
Total	**SoAS8.1 & SoAS11**	**12,536**

The notes on pages 81 to 163 form part of these accounts.

SoAS7 Programme overheads

2016–17		
	Note	£'000
Increase in provision for fair value adjustments	SoAS7.1	(3,455)
Programme debt written off	SoAS7.2	16,559
Other programme overheads		–
Total		**13,104**
Non-contributory programme overheads	5	11,902
Contributory programme overheads		1,202
Total		**13,104**

SoAS7.1 Fair Value Adjustment

The movement in the provision for fair value adjustments consists of a movement in the overpayments of the following benefits and other expenditure:

2016–17		
	Note	£'000
Contributory benefits		(995)
Non-contributory benefits		(4,332)
Social Fund payments		1,761
Other programme		111
Total		**(3,455)**

SoAS7.2 Bad debts written off

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

2016–17		
	Note	£'000
Contributory benefits		
Pension benefits		1,183
Incapacity benefits		327
ESA Contributory		553
Other	SoAS7a	134
Non-contributory benefits		
Disability benefit		2,522
Income support		1,966
Pensions		3,502
ESA Non Contributory		2,751
Other	SoAS7b	891
Social Fund		
Funeral Payments		2,414
Budgeting Loans		260
Other adjustments	SoAS7c	56
Total		**16,559**

SoAS7a

Other contributory benefits include Job Seeker's Allowance £0.125 million, Maternity Allowance £0.007 million, Unemployment, Invalidity and Sickness Benefit £0.002 million.

SoAS7b

Other non-contributory benefits include Job Seeker's Allowance £0.729 million, Crisis Loans £0.153 million and Industrial Injuries £0.009 million.

SoAS7c

Other adjustments consist of £0.014 million salary overpayment debt written off, £0.001 million Welfare Supplementary debt written off, £0.033 million Benefit Based Training Allowance (BBTA) written off and £0.008 million Legacy DEL written off.

SoAS8 Reconciliation of outturn to net operating cost

SoAS8.1 Reconciliation of net resource outturn to net operating cost

2016–17				
	Note	Outturn £'000	Supply Estimate £'000	Outturn compared with Estimate £'000
Net Resource Outturn	SoAS1	4,220,085	4,356,246	136,161
Prior period adjustments		–	–	–
Non-supply Expenditure (net)	SoAS2	2,599,627	2,625,274	25,647
AR not treated as income – funding from NIF to cover administration costs	SoAS6	12,536	–	(12,536)
Other Social Fund adjustments		504	–	(504)
Non-supply Income (CFERs)	SoAS10	(2,051)	(770)	1,281
Public Corporation Equity Withdrawal		(17,091)	(12,646)	4,445
Other		(1)	–	1
Net Operating Cost		**6,813,609**	**6,968,104**	**154,495**

SoAS8.2 Non-supply expenditure

2016–17		
	Note	£'000
Contributory benefits (net)		2,598,425
NIF write-offs and movement on debt provision	SoAS8	1,202
Other		–
Total gross non-supply expenditure	**5**	**2,599,627**

The notes on pages 81 to 163 form part of these accounts.

SoAS9 Reconciliation of net resource outturn to net cash requirement

2016–17				
	Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate saving/ (excess) £'000
Resource Outturn	SoAS1	4,356,246	4,220,085	136,161
Capital:				
Acquisition of property, plant and equipment	7, 8 & 9	19,520	7,823	11,697
Investments	16	–	5,502	(5,502)
Discretionary Support Scheme loans		16,970	8,429	8,541
Non-operating Accruing Resources:				
Proceeds of fixed asset disposals		–	(405)	405
Repayments of loans from other bodies	16	(1,358)	(1,307)	(51)
Repayments of Discretionary Support Scheme Loans		(14,200)	(12,340)	(1,860)
Public Corporation Equity Withdrawal		(12,646)	(17,087)	4,441
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation	4,5	(13,180)	(4,584)	(8,596)
New provisions and adjustments to previous provisions	5	(3,604)	(25,274)	21,670
Housing Benefit Owner Occupiers	5	(49,773)	(39,164)	(10,609)
Other non-cash items	3,4,5	(38,845)	(63,535)	24,690
Adjustments to reflect movements in working balances:				
Changes in working capital other than cash		–	(918)	918
Increase/(decrease) in inventories	11	–	30	(30)
Increase/(decrease) in receivables	18	–	(54,954)	54,954
Increase/(decrease) in payables falling due within one year	19.1	–	9,507	(9,507)
Increase/(decrease) in payables falling due after more than one year	19.2	–	46,101	(46,101)
Use of provision	20	–	5,382	(5,382)
Other Social Fund adjustments	SoAS8.1	–	504	(504)
Other		–	4,830	(4,830)
Net cash requirement		**4,259,130**	**4,088,625**	**170,505**

Other includes non-cash income from MoD £5.000 million, transfers from DfC legacy departments and £0.021 million transfers tax credit cases from HMRC.

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

See above – Estimate position is Main Estimate rather than Spring Supplementary Estimate.

The notes on pages 81 to 163 form part of these accounts.

SoAS10 Income payable to the Consolidated Fund

SoAS10.1 Analysis of income payable to the Consolidated Fund

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

		2016–17 Forecast		2016–17 Outturn	
	Note	Income £'000	*Receipts* £'000	Income £'000	*Receipts* £'000
Operating income and receipts – excess Accruing Resources		–	–	-	-
Other operating income and receipts not classified as Accruing Resources		–	–	2,051	2,202
Subtotal of operating income and receipts surrenderable to the Consolidated Fund		–	–	2,051	2,202
Non-operating income and receipts - excess Accruing Resources	SoAS12	–	–	–	–
Amounts collectable on behalf of the Consolidated Fund		–	–	–	–
Excess cash surrenderable to the Consolidated Fund	SoAS9	–	–	–	–
Total income payable to the Consolidated Fund		**–**	**–**	**2,051**	**2,202**

In addition to the income detailed above, the Department also received £0.009 million in relation to unassigned client receipts from the Client Funds account. These are non-budget amounts and are paid directly to DoF. At the end of the prior year there was a balance in the Department's accounts relating to these amounts of £0.015 million. £0.024 million was paid over to DoF in 2016–17 and there is a nil balance owing at the year end.

The notes on pages 81 to 163 form part of these accounts.

SoAS11 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

2016–17		
	Note	**£'000**
Operating income	6	125,361
Profit on disposal of property, plant and equipment		-
Public Corporation Equity Withdrawal		(17,091)
NIF Administration Costs	SoAS6	12,536
Other		(3)
Prior Period Adjustment		–
Gross Income		120,803
Income authorised to be Accruing Resource (deduct the lower of AR and Estimate)		(118,752)
Operating Income payable to the Consolidated Fund	**SoAS10**	**2,051**

SoAS12 Non-operating income – Excess Accruing Resources

There was no non-operating income – excess Accruing Resources during 2016-2017

The notes on pages 81 to 163 form part of these accounts.

Other Assembly Accountability Disclosures (Audited Information)

i. Regularity of Expenditure

Issues pertaining to the regularity of departmental expenditure are discussed in the governance statement.

ii. Losses and Special Payments

Losses Statement	2016–2017	2015–16
Total number of losses	47,709	69,852
Cash losses (£'000)	**18,699**	**23,348**
Special Payments		
Total number of special payments	8,696	20,377
Total value of special payments (£'000)	**2,265**	**4,467**

There are no losses or special payments in excess of £250,000.

iii. Fees and Charges (Audited Information)

The Department does not administer any fees and charges which are significant in the context of the financial statements.

iv. Remote Contingent Liabilities

The Department had no liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. Contingent liabilities are reported within the financial statements.

v. Long-term Expenditure Trends

As no Supply Estimate was presented to the Assembly for the 2015–16 year for the new Department, the prior year comparatives in the SOAS for 2016–17 are not shown. As there are no comparatives for budgetary outturn for previous years, a four year trend analysis has not been included in these accounts.

Leo O'Reilly

LEO O' REILLY
ACCOUNTING OFFICER

26 JUNE 2017

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

I certify that I have audited the financial statements of the Department for Communities for the year ended 31 March 2017 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Assembly Supply and the related notes and the information in the Remuneration and Staff Report and the Assembly Accountability Report that is described in that report and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. The voted Assembly control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity arising from Incorrect benefit awards and payment of fraudulent claims

The total amount paid in benefits is £5.9 billion, of which £2.2 billion relates to expenditure on State Pension which has a low level of fraud and error and on which I have not qualified my opinion on regularity. In respect of the other benefits amounting to £3.7 billion as reported in Note 23 to the financial statements:

- fraud and error resulted in estimated total overpayments of £87 million; and
- estimated underpayments of £17 million arose due to official error.

The Department is required to calculate benefits in accordance with primary legislation which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid. All benefit overpayments are irregular as the expenditure has not been applied in accordance with the purposes intended by the Northern Ireland Assembly and also because fraudulent transactions are by definition irregular since they are without proper authority. In addition underpayments arising because of official error are also irregular.

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

Qualified Opinion on regularity

In my opinion, except for the £104 million of incorrect benefit expenditure attributable to fraud and error, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2017 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability disclosures (Regularity of Expenditure, Losses and Special Payments, Fee and Charges and Remote Contingent Liabilities) to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and

- the information given in the Performance Report and the Assembly Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

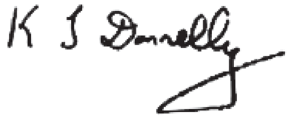
Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Assembly Accountability disclosures (Regularity of Expenditure, Losses and Special Payments, Fee and Charges and Remote Contingent Liabilities) to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Report

My detailed observations are included in my report attached to the financial statements.



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

29 JUNE 2017

Part 4

Financial Statements

Statement of Comprehensive Net Expenditure for the period ended 31 March 2017

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2016–17 £'000	2015–16 (Restated) £'000
Income from sale of goods and services	6	–	–
Other income	6	(124,721)	(122,883)
Total Operating Income		(124,721)	(122,883)
Staff Costs	3	256,887	277,582
Purchase of goods and services	4,5	184,026	152,005
Depreciation and impairment charges	4,5	34,515	30,514
Provision Expense	5	25,274	73,892
Other Operating Expenditure	4,5	3,838,641	3,828,719
National Insurance Benefits and Non-Voted Expenditure	SoAS2	2,599,627	2,540,822
Total Operating Expenditure		6,938,970	6,903,534
Net Operating Expenditure		6,814,249	6,780,651
Finance Income	6	(640)	(770)
Finance Expense		–	–
Net Expenditure for the year		6,813,609	6,779,881
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
– Net gain/(loss) on revaluation of Property Plant and Equipment	7	11,991	3,847
– Net gain/(loss) on revaluation of Intangibles	8	193	70
Items that may subsequently be reclassified to net operating costs:			
– Net gain/(loss) on revaluation of assets classified as held for sale	10	623	31
Comprehensive Net Expenditure for the year		**6,800,802**	**6,775,933**

The notes on pages 81 to 163 form part of these accounts.

Statement of Financial Position as at 31 March 2017

This statement presents the financial position of the Department for Communities. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	2016–17 £'000	2015–16 (Restated) £'000	2014–15 (Restated) £'000
Non-current assets:				
Property, plant and equipment	7	163,331	157,423	149,026
Intangible assets	8	3,869	881	922
Heritage Assets	9	1,235	1,279	1,279
Financial Assets	16	95,331	109,749	42,978
Total non-current assets		263,766	269,332	194,205
Trade and other receivables falling due after more than 1 year	18	348,279	397,368	453,243
Current assets:				
Assets classified as held for sale	10	1,904	1,265	6,773
Inventories	11	136	106	129
Trade and other receivables	18	196,289	202,154	241,613
Financial Assets	16	1,220	1,355	1,377
Cash and cash equivalents	17	699	22	26
Total current assets		200,248	204,902	249,918
Total assets		**812,293**	871,602	897,366
Current liabilities:				
Trade and other payables (amounts falling due within one year)	19	(302,953)	(312,460)	(354,412)
Provisions	20	(7,749)	(7,126)	(6,559)
Total current liabilities		(310,702)	(319,586)	(360,971)
Non current assets plus/less net current assets/liabilities		501,591	552,016	536,395

	Note	2016–17 £'000	2015–16 (Restated) £'000	2014–15 (Restated) £'000
Non-current liabilities				
Trade and other payables (amounts falling due after more than one year)	19	(255,182)	(301,283)	(352,967)
Provisions	20	(233,562)	(214,123)	(145,857)
Total non-current liabilities		(488,744)	(515,406)	(498,824)
Assets less liabilities		**12,847**	36,610	37,571
Taxpayers' equity & other reserves:				
General fund		(62,493)	(28,457)	(24,543)
Revaluation reserve		75,340	65,067	62,114
Total Equity		**12,847**	**36,610**	**37,571**

The notes on pages 81 to 163 form part of these accounts.

LEO O' REILLY
ACCOUNTING OFFICER

26 JUNE 2017

Statement of Cash Flows for the period ended 31 March 2017

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Departments' future public service delivery. Cash flows arising from financing activities include Assembly Supply and other cash flows, including borrowing.

	Note	2016–17 £'000	2015–16 (Restated) £'000
Cash flows from operating activities			
Net operating cost	SoCNE	(6,813,609)	(6,779,881)
Adjustments for non-cash transactions	3,4,5	127,557	174,234
(Increase)/Decrease in trade and other receivables	18	54,954	95,334
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	18	253	(2,035)
(Increase)/Decrease in inventories	11	(30)	23
Increase/(Decrease) in trade payables	19	(55,608)	(93,636)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	19	(1,966)	2,320
Use of provisions	20	(5,382)	(5,059)
Adjustment to Net Operating Profit		231	2
Net cash (outflow) from operating activities		**(6,693,600)**	(6,608,698)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(4,635)	(8,645)
Purchase of intangible assets	8	(3,189)	(199)
Proceeds of disposal of property, plant and equipment		405	5,758
Loans to other bodies	16	(5,502)	(94,498)
Repayments from other bodies	16	1,307	1,380
Movement in receivables/payables for capital		1,551	225
Net cash outflow from investing activities		**(10,063)**	(95,979)

	Note	2016–17 £'000	2015–16 (Restated) £'000
Cash flows from financing activities			
From the Consolidated Fund (Supply) - relating to the current year		4,093,408	4,162,271
From the Consolidated Fund (Supply) - relating to the prior year		(1,348)	(908)
From the National Insurance Fund		2,616,845	2,547,305
Payments to the National Insurance Fund		(2,612,163)	(2,555,456)
Net financing		**4,096,742**	4,153,212
Payments to the National Insurance Fund		2,612,163	2,555,456
Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**5,242**	3,991
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	3
Payments of amounts due to the Consolidated Fund		(3,086)	(2,550)
Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund	17	**2,156**	1,444
Cash and cash equivalents at the beginning of the period	17	**(1,457)**	(2,901)
Cash and cash equivalents at the end of the period	17	**699**	(1,457)

The notes on pages 81 to 163 form part of these accounts.

Statement of Changes in Taxpayers' Equity

This statement shows the movement in the year on the different reserves held by the Department for Communities, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' Equity £'000
Balance at 1 April 2015		(24,543)	62,114	37,571
Net Assembly Funding - drawn down		4,162,271	–	4,162,271
Net funding from the National Insurance Fund in year		2,547,305	–	2,547,305
Net Funding from the Social Fund		–	–	–
Supply (payable)/receivable adjustment	18 & 19	(1,348)	–	(1,348)
CFERs Income payable to the Consolidated Fund		(2,984)	–	(2,984)
Release of reserves to the Statement of Comprehensive Net Expenditure	5.2	(27)	–	(27)
Comprehensive Net Expenditure for the year	SoCNE	(6,779,881)	–	(6,779,881)
Non-Cash Adjustments:				
Non-cash charges - auditor's remuneration	4 & 5	279	–	279
Non-cash charges - other	3,4,5	69,545	–	69,545
Inter-Company Fixed Asset Transfers		–	–	–
Movements in Reserves				
Transfers between reserves		995	(995)	–
Movements in Reserves		–	3,949	3,949
Other		(69)	(1)	(70)
Balance at 31 March 2016		**(28,457)**	**65,067**	**36,610**
Net Assembly Funding - drawn down		4,093,408	–	4,093,408
Net funding from the National Insurance Fund in year		2,616,845	–	2,616,845
Net Funding from the Social Fund		–	–	–
Supply (payable)/receivable adjustment	18 & 19	(4,784)	–	(4,784)
CFER Income payable to the Consolidated Fund	SoAS10	(2,051)	–	(2,051)

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' Equity £'000
Release of reserves to the Statement of Comprehensive Net Expenditure	5	(24)	–	(24)
Comprehensive Net Expenditure for the year	SoCNE	(6,813,609)	–	(6,813,609)
Non-Cash Adjustments:				
Non-cash charges - auditor's remuneration	4 & 5	261	–	261
Non-cash charges - other	3,4,5	72,544	–	72,544
Inter-Company Fixed Asset Transfers	7	–	–	–
Movements in Reserves				
Transfers between reserves		2,551	(2,545)	6
Movements in Reserves		–	12,818	12,818
Other		823	–	823
Balance at 31 March 2017		**(62,493)**	**75,340**	**12,847**

Other General Fund movement consists of movement in National Insurance Fund £0.763 million, £0.021 million tax credit cases transferred and transfers from legacy departments.

Notes to the financial statements for the year ended 31 March 2017

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2016–17 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The *Statement of Assembly Supply* and supporting notes show outturn against estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of investment property, property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities.

The IASB issued new and amended standards (IFRS10, IFRS11 & IFRS12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards were effective with EU adoption from 1 January 2014.

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminister departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020–21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management considers that these are unlikely to have a significant impact on the accounts in the period of initial application.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the department and those entities which fall within the departmental boundary as defined in the *FReM*, interpreted for Northern Ireland.

Since the Department for Communities was established on 9 May 2016, the comparative figures represent expenditure of the component parts of the entire former Department for Social Development and parts of the Department for Culture and Leisure, the Department of the Environment, the Department of Employment and Learning and the Office of the First Minister and Deputy First Minister, as if it had been in existence during the 2015–16 year. This is required under merger accounting. The component functions of the former Departments which are now part of the Department for Communities are as follows:

Department for Social Development:
responsibility for administration of social security benefits, social housing, urban regeneration, child maintenance service;

Department for Culture and Leisure:
responsibility for sport strategy, arts and culture, languages, museums and libraries, public records;

Department of the Environment:
responsibility for local government and the historic environment;

Department of Employment and Learning:
employment service;

Office of the First Minister and Deputy First Minister:
responsibility for equality and good relations.

The Social Fund is consolidated within the primary statements and the cash grant to the Social Fund is included in the summary of resource outturn. Although elements of the National Insurance Fund are included in the consolidated statement of comprehensive net expenditure, consolidated statement of financial position and consolidated statement of cash flows, they are excluded from the summary of resource outturn and statement of Assembly supply (SoAS). They are also excluded from all SoAS notes.

The National Insurance Fund is the responsibility of HM Revenue and Customs. This expenditure is for contributory benefits, all administration costs and their related assets and liabilities.

This consolidation boundary ensures that all items which fall within the Department's expenditure are reflected in the statement of comprehensive net expenditure, whereas the summary of resource outturn reflects only those items which fall within the supply process.

Separate White Paper accounts are produced for the Social Fund and the National Insurance Fund.

A full list of bodies and funds consolidated within the accounts is given in Note 24, together with a list of excluded bodies.

Departmental Boundary

The Department for Communities was established as a result of reorganisation of the NICS Departments in May 2016 and as a result acquired responsibility for non-departmental bodies sponsored by other departments in 2015–16. See the Performance Report for more details.

1.3 Property, Plant and Equipment and Intangible Assets

Expenditure on property, plant and equipment of over £1,000 is capitalised, with the exception of property improvements, cabling, software and licences, which is capitalised if expenditure is over £5,000. All personal computer equipment under the threshold of £1,000 is charged as an operating expense.

Externally and internally developed computer software costing greater than the £5,000 captilisation threshold is classified as non-current intangible assets. Internally developed computer software is capitalised if it meets the criteria in IAS 38 Intangible Assets. Where appropriate, costs are classified as assets under construction until the asset is available for use when the asset is then transferred to its relevant asset class. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Costs associated with the maintenance of software are also recognised as an expense when incurred.

On initial recognition property, plant and equipment and intangible assets are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition.

All property, plant and equipment and intangible assets are carried at fair value. March 2016 indices were applied.

Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation. Professional revaluations of land and buildings are undertaken every five years, with an interim valuation performed in the third year of every five-year cycle. A valuation of the majority of land and buildings was undertaken by Land and Property Services as at 1 April 2015. They are revalued annually, between professional valuations, using indices and desk top valuations provided by Land and Property Services, an executive agency within the Department of Finance. The revaluations for the 2016–17 financial year were based on indices applicable at 31 March 2017. Some buildings had an actual valuation at this date, – for example, House of Sport and PRONI.

Properties are valued on the basis of open market value existing use, unless they are specialised, in which case they are valued on the basis of depreciated replacement cost. Properties surplus to requirements are valued on the basis of open market value less any material directly attributable selling costs. Land and buildings at Titanic Quarter housing PRONI has been treated as specialised.

The new towns development lands in Craigavon, Ballymena and Antrim have been on the books of the Department (and before it, the Department of the Environment) for in excess of 50 years and, although not the original intention, are currently held for rental under a piecemeal programme of disposal, economic conditions permitting (so as not to adversely affect the property markets in those areas).

Title

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

(i) Property on the departmental estate, title to which is held by the Department for Communities; and

(ii) Property held by the Department of Finance, which is in the name of the Secretary of State for Northern Ireland.

With the exception of the above and items under construction, fair value is estimated by restating the value annually by reference to indices compiled by the Office of National Statistics.

Infrastructure assets are costs associated with the Laganside weir and riverside walkways which consist of fees for design and investigation, certified construction costs and also compensation paid to landowners for loss of use of land and, in the case of the weir, the river bed. These are valued annually in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS) by the Land and Property Services. Properties which due to their specialised nature are rarely, if ever, sold on the open market for single occupation for a continuation of their existing use, have been valued on a depreciated replacement cost (DRC) basis. Properties which are in operational use for the purposes of the Department's business have been valued on an existing use value (EUV) basis.

Twenty-six pieces of public art were transferred to the Department upon the winding up of the Laganside Corporation. The pieces include cast iron figures, sculptured brick monuments, tiled and fabric wall murals and bronze and stainless steel statues. They include works as diverse as the Big Fish at Donegall Quay and the Bottle Top at the railway bridge at Gasworks Link and can be viewed under 'Laganside Art Trails' on the Department's website. They are managed by the Department's Belfast City Centre Regeneration Directorate.

Since the Department does not generally purchase or acquire works of art, information as to their current value is not readily obtainable at a cost commensurate with the benefits to users of the financial statements. These assets are therefore not included in the statement of financial position.

Heritage Assets

All heritage assets are deemed to be held by the Department in pursuit of its overall objectives in relation to the maintenance of heritage. Non-operational heritage assets are those which are held solely for this purpose and have no other use. Operational heritage assets are those which, in addition to being held for their heritage characteristics, are also used by the entity for other activities or to provide other services for which it is responsible. Heritage lands are subject to professional valuations and annual revaluations in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of heritage land are undertaken every five years, and a full valuation is currently being undertaken by Land and Property Services (LPS). (An exception to this is some land at Dunluce Castle containing an archaeological site, which is not revalued and is on the Departmental asset register at a value of £158,400).

Non-operational heritage assets which have not been purchased have no valuation placed on them as it is not possible to provide a robust valuation for them. These include the official records stored and maintained by PRONI and private records donated to PRONI as well as state care monuments. Where heritage assets are purchased, this is done for their long term protection by the state.

On initial recognition the assets are recognised at cost. Upwards revaluations of heritage assets are credited to the revaluation reserve unless they reverse previously recognised downward revaluation in which case they are credited to the statement of comprehensive net expenditure to the extent the downward revaluation has been recognised with the remainder credited to the revaluation reserve. Downward revaluations of heritage assets are debited to the revaluation reserve to the extent that they reverse previously recognised upward revaluations with any remaining downward valuation recognised in the statement of comprehensive net expenditure.

Various State Care monuments throughout Northern Ireland are also the property of the Department. These monuments have been acquired by a variety of means, including inherited under the National Monuments Order 1880, properties previously vested in the county councils which were transferred to the Department under the Historic Monuments (Transfer) Order (NI)1973 and others are held in guardianship by the Department. The monuments are protected by the Department under the Historic Monument and Archaeological Objects (NI) Order 1995.

1.4 Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated and amortised at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation/amortisation is charged when as asset is available for use, and not in the month of disposal.

No depreciation is provided on freehold land, infrastructure assets or antique collections since they have unlimited or very long-established useful lives. Items under construction are not depreciated until they are commissioned. Properties that are surplus to requirements and not in use are not depreciated. Capital expenditure on leasehold improvements is depreciated over the remaining term of the lease. Asset lives are normally in the following ranges:

Asset Type	Asset Life
Freehold buildings	Up to 100 years
Leasehold property	Lease period remaining
Furniture and fittings	10-20 years
Infrastructure Assets	Up to 100 years
Computer equipment	3–10 years
Other equipment	3–25 years
Public Art	5 years
Motor Vehicles	3–7 years

The overall useful life of the Department's buildings takes account of the fact that different components of those buildings have different useful lives. This ensures that depreciation is charged on these assets at the same rate as if separate components had been identified and depreciated at different rates.

The majority of furniture and fittings are rented from the Department of Finance and have not been capitalised. Instead, this forms part of the notional accommodation costs included in the statement of comprehensive net expenditure.

The Child Maintenance Service does not own any land or buildings. However, fitting out of the Great Northern Tower and Royston House and any subsequent improvements, have been capitalised, as leasehold improvements, over the period of the lease – 25 years and 10 years respectively.

Most of the buildings used by the department are part of the government estate. As rents are not paid for these properties, notional accommodation costs are based on a capital charge for the properties. These costs have been charged to the statement of comprehensive net expenditure.

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

1.5 Non-Current Assets Held for Resale

The Department classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition, International Financial Reporting Standard 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Non-current assets held for sale are valued on the basis of open market value less any material directly attributable selling costs. In line with this definition £0.160 million was transferred from assets held for sale to property, plant and equipment. (In 2015–16 £0.104 million was transferred from assets held for resale to property, plant and equipment). This represents the additions less reclassifications of the assets held for sale in note 10 of the accounts.

1.6 Investment and Loans in other Public Sector Bodies – Loans to Housing Associations

The loan stock is valued at cost, which is considered to be a close approximation of the market value (see Note 16).

1.7 Vesting of land

In certain instances, the Department will vest property with the intention of facilitating urban regeneration. In such circumstances the Department assumes ownership from the date when the vesting order becomes operative. The property is capitalised at its Land and Property Service valuation.

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

1.8 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recorded as property, plant and equipment and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the statement of comprehensive net expenditure over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the statement of comprehensive net expenditure on a straight-line basis over the term of the lease.

1.9 Service Concession Arrangements

Service concession arrangement transactions have been accounted for in accordance with International Financial Reporting Interpretations Committee 12 (IFRIC 12), as required by the Government Financial Reporting Manual. Where the government body controls the use of the asset and the residual interest in the asset at the end of the arrangement, the Department does not have any assets to recognise within the contract period. The service charges are recorded as an operating cost (Note 5).

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. PRONI and HED's depot stocks were valued at 31 March 2017.

1.11 Cash and Cash Equivalents

Due to funding requirements it is departmental policy to hold and manage centrally all operational bank accounts. The total of the centrally held bank balances is disclosed in these accounts.

Cash in transit – the Central Payment System (CPS) processes benefit payments to customers' bank accounts through the Bank Automated Clearing System (BACS) and this process normally takes approximately three working days to complete.

The CPS accounts for the benefit expenditure on the first day of the BACS payment cycle i.e. BACS Day 1, although the payment amount does not transfer to the customer's bank account until BACS Day 3. The two day difference in the recording of the expenditure and the movement of the funds to make the payments creates a payables balance within CPS known as the 'Cash in Transit' balance. The Cash in Transit (CIT) balance represents purely a timing difference between the transactions that take place on BACS Day 1 and BACS Day 3. The CIT balance is included within Note 19 – trade payables and other current liabilities.

1.12 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full cost basis to external customers as well as public repayment work but also includes other income, such as that from investments. It includes income classified as accruing resources, as well as income due to the Consolidated Fund, which in accordance with the Government Financial Reporting Manual, is treated as operating income. Operating income is stated net of VAT. It excludes accruing resources and Consolidated Fund extra receipts treated as capital. Receipts under EU Peace and Reconciliation Programme or other EU initiatives are also treated as operating income.

1.13 Administration and Programme Expenditure

The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

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

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

Social security programme expenditure also comprises statutory payments, including contributory benefit expenditure, which is funded from the National Insurance Fund and expenditure which is borne by the Social Fund in addition to the programme expenditure which is within the supply process. In previous years funding for certain discretionary elements of Social Fund in Northern Ireland (Community Care Grants and Crisis Loans) and certain regulated elements of Social Fund in Northern Ireland (Funeral Loans and Maternity Payments) were reclassified as Departmental Expenditure Limit. Whilst Departmental Expenditure Limit funded, these social security benefits continue to be paid under Social Fund legislation and are therefore included within programme expenditure.

Separate White Paper accounts are produced for both the NI National Insurance Fund (by HMRC) and Social Fund expenditure (by the Department).

1.14 Employee Benefits including Pensions

Under the requirements of International Accounting Standard 19 'Employee Benefits', staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end.

The employee benefit accrual is based on information from the HR Connect payroll system. The accrual is calculated based on the actual leave amount outstanding per employee as at 31 December 2016, multiplied by the actual staff salary rate. Employers' National Insurance costs at 10.4% and employers' pension at 22% are added to this amount to provide the total employee benefit accrual figure for the financial year end.

Details of the departmental pension schemes are provided in the remuneration report in the annual report.

1.15 Grants Payable

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

Housing association grants may be repayable to the Department on the sale of housing properties and land. In addition, most grants provided by Urban Regeneration Division contain a provision within the letter of offer for clawback of the grant in particular circumstances. The amount of the repayment that is known with reasonable certainty should be included within trade receivables (Note 18).

1.16 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with International Accounting Standard 37, the Department discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Northern Ireland Assembly in accordance with the requirements of *Managing Public Money Northern Ireland*.

These comprise:

a. items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to the Northern Ireland Assembly by departmental Minute prior to the Department entering into the arrangement; and

b. all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Government Financial Reporting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under International Accounting Standard 37 are stated at discounted amounts and the amount reported to the Northern Ireland Assembly separately noted. Contingent liabilities that are not required to be disclosed by International Accounting Standard 37 are stated at the amounts reported to the Northern Ireland Assembly.

1.17 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the statement of financial position date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. This relates to early retirement costs, superannuation contributions, potential legal actions and provision for future liabilities in respect of contracts. Where the effect of the time value of money is significant the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. This is currently (2.70)%, (2015-16: (1.55)%) for short-term provisions between 0 and 5 years from the statement of financial position date, and it is applicable to personal injury and equal opportunities provisions. The discount rate for the early departure provision is 0.24% (2015–16: 1.37%).

1.18 Value Added Tax

All items stated in these accounts are exclusive of VAT. VAT is recovered on a Departmental basis in line with the provisions applicable to government bodies in NI.

1.19 Third Party Assets

The Child Maintenance Service operates a client funds account to control the receipt of child maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance and fees). These are not departmental assets and are not included in the statement of financial position.

The Department administers a Central Investment Fund for Charities into which Northern Ireland charities invest funds and a Charitable Donations and Bequests Fund. These are not departmental funds and are not consolidated within the departmental accounts. Dividends are paid twice yearly by the Department.

1.20 National Insurance Fund (NIF)

As stated in Note 1.2, the NI National Insurance Fund is excluded from the consolidation. However, contributory benefits funded from the National Insurance Fund and the costs to the Department of administering the National Insurance Fund are included in the statement of comprehensive net expenditure. The NI National Insurance Fund provides financing to the Department to cover this contributory benefit expenditure and the administration costs incurred by the Department. The financing from the NI National Insurance Fund shown in the consolidated statement of cash flows is the net financing due to the Department. Any difference between the net financing due to the Department and the net financing received from the NI National Insurance Fund will be reflected in the current account maintained between the Department and the NI National Insurance Fund/HMRC (See Notes 18 and 19).

1.21 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal Principal Civil Service Pension Scheme benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and this is binding on the Department.

1.22 EU income

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

1.23 Funding from Assembly vote

Vote funding is not treated as income on the face of the statement of comprehensive net expenditure, instead cash voted and drawn down is credited to the general fund.

1.24 Provision of agency services

The Department provides agency services to the Department for Work and Pensions in administering the Belfast Child Maintenance Service Centre and the Belfast Benefit Delivery Centre. The direct cash costs incurred in operating these centres are recovered in full from the Department for Work and Pensions.

The expenditure in relation to these services is reported as programme costs in the statement of comprehensive net expenditure with the related accruing resources treated as operating income.

1.25 Derivatives and Other Financial Instruments

The following are the key accounting policies used to reflect the adoption of financial instruments under relevant Financial Reporting Standards (International Accounting Standard 32, International Accounting Standard 39 and International Financial Reporting Standards 7 and 13).

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when, it is extinguished.

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

Financial instruments are subsequently carried at amortised cost using the effective interest method, with changes in value recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction. The Department categorises the following account balances to be financial instruments:

(i) Cash and cash equivalents

- Programme and resource financing
- National Insurance Fund receivable
- Cash in transit (Note 1.11)

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

Cash and cash equivalents also comprise funding voted by the Northern Ireland Assembly to meet the Department's resource requirements (programme and resource financing), the NI National Insurance Fund receivable and cash in transit. The NI National Insurance Fund (NIF) receivable represents the balance at the year end of the funding provided to the Department by Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits.

The Cash in Transit amount reflects purely a timing difference at the yearend in the funding and payment of benefit expenditure.

These amounts are due within one year and have no impairment indicators.

(ii) Loans and Receivables

- Benefit overpayment receivables (including Housing Benefit)
- Social Fund loans
- Salary Overpayments

Loans and receivables are non derivative financial assets with fixed or determinable payments which are not quoted on an active market and which are not classified as available for sale. Loans and receivables are assessed at the end of each accounting period and reduced, where appropriate to their estimated recoverable amount through making an impairment based on forecast cash and benefit deduction recoveries and write off information. In addition, the Department applies a discount factor to estimate the present value of the cash flows. The discount factor for 2016–17 was 3.7%, (2015–16: 3.7%).

iii) Other Liabilities

- Programme and resource payables and accruals

Contractual programme and resource payables and accruals are non-derivative financial instruments. These amounts are due within one year and have no impairment indicators.

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

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future cash flows for a group of financial instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group.

Interest determined, impairment losses and translation differences on monetary items are recognised in the statement of comprehensive net expenditure.

Risk Management

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

Liquidity Price Risk

The Department's resource requirements are financed by resources voted by the Northern Ireland Assembly, as is its non-current asset expenditure. It is not, therefore, exposed to significant liquidity risks.

Credit Risk

The Department manages its exposure to credit risk via credit risk management policies. Credit policies cover exposures generated from benefit overpayment receivables and Social Fund loans. The Department has an active debt recovery process in place in relation to these receivables and details of this process are in Note 1.26.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the statement of financial position. For benefit overpayment receivables and Social Fund loans the exposure to credit risk is the amount of debt or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Department is exposed to credit risk is the balance of the net benefit overpayment receivables and Social Fund loans net receivables disclosed in Note 18 of the accounts.

For Benefit Overpayment Receivables this risk is limited to the extent that the receivable can be recovered from cash recoveries and deductions from benefit payments e.g. from State Pension Benefit and even from the estate on death. Some risk still remains as the level that can be recovered from each benefit payment is restricted to avoid causing hardship, and customers do not always have sufficient funds in their estate to cover the receivable. However, the Department has an active recovery process in place, in order to maximise the amounts recovered.

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

The economic climate may also increase the amount of credit risk the Department is exposed to for future reporting periods. This may potentially impact on the recoverability of benefit overpayment receivables and Social Fund loans from customers.

Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Department has discounted the forecast future cash flows for estimated recoveries and write offs for benefit overpayment receivables and Social Fund loans. The Treasury discount rate to be applied is the real rate of 3.7% (2015–16 3.7%). The Treasury's discount rate is substantially independent of changes in market interest rates.

Sensitivity Analysis

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

1.26 Benefit Overpayment Receivables

Benefit overpayment receivables arise when a benefit overpayment occurs. The gross benefit receivable amount recognised in the statement of financial position is valued at the difference between the amount paid to the customer by the Department and the actual benefit entitlement due. The value is communicated in writing to the customer and the Department regards this letter as evidence to support the valuation and existence of the debt.

Benefit payments are accounted for as programme expenditure in the year in which they are made. The receivable recognised is accounted for as a reduction to programme expenditure in the year in which it is recognised.

Benefit overpayments arising as a result of customer fraud or error are recoverable. The value of the recoverable overpayment is communicated to the customer in writing and the customer is advised in the letter of their right to appeal the Department's decision.

Benefit overpayments arising as a result of official error have no statutory right of recovery. These are recognised and written off simultaneously.

Benefit overpayment receivables write off policy has been agreed with the Department of Finance (DoF). To ensure it is applied consistently, detailed guidance is given in the Departmental Discretion Guide and Managing Public Money Northern Ireland. In accordance with the write-off policy, the Department may write off benefit overpayment receivables because:

- the case satisfies the criteria for waiver; and
- the debtor is deceased and there is insufficient estate to recover the debt.

The Department undertakes management reviews on the quality and consistency of write-off decisions through periodic management and quality assurance checks.

The Benefit Overpayment Receivable balance is assessed at the end of each accounting period and reduced to its estimated recoverable amount through making an impairment based on forecast cash and benefit deduction recoveries. In addition, the Department includes impairment in respect of an element of benefit overpayment receivables that could be subject to challenge and consequently written off. A discount factor of (0.8%) is also applied to the benefit receivables balance at the end of the accounting period to estimate the present value of cash flows (2015–16 (0.8%)).

Housing Benefit for tenants in the public and private rented sectors is administered by the Northern Ireland Housing Executive. Similar policies and procedures to those used by the Department are used by the Housing Executive for the purposes of recovering Housing Benefit overpayments.

Housing Benefit for owner occupiers is fully administered by Land and Property Services.

The Department provides guidance to the Housing Executive on overpayment recovery policy and legislation and monitors performance against overpayment recovery targets.

1.27 Estimation Techniques

Fair Value Adjustment:

(i) The fair value adjustment of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arm's length transaction between knowledgeable willing parties. Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to present value and an estimated impairment for the element of the receivable balance that could be written off.

(ii) The fair value adjustment for payments made to the Department in respect of the Compensation Recovery Scheme (CRS) is based on likely future write-offs and is calculated on a case by case basis.

The fair value adjustment is not disclosed within the trade receivables note. However, the fair value adjustment relating to financial instruments is detailed in Note 15.

Benefit Overpayment Receivables:

The estimation technique employed in the calculation of benefit overpayment receivables is disclosed in Note 1.26.

Employee Benefits:

The estimation technique employed in the calculation of employee benefits is disclosed in Note 1.14.

Provisions:

The estimation technique employed in the calculation of provisions is disclosed in Note 1.17.

NHS Trusts' balance

An exercise is completed each year by the Department's Compensation Recovery Unit (CRU) to estimate the potential value of those claims awaiting settlement from the insurance companies and due to the Health Service Trusts (HST). The CRU collects the monies due from the insurance companies on behalf of the HST and those amounts are then forwarded to the Trusts themselves. The CRU estimate is based on the number of claims outstanding and the associated medical costs applicable to each claim. For clarity and transparency purposes the amount due to the HST is disclosed in Note 15.

1.28 Deferred Income

Deferred income of £2.635 million includes the cost of decontamination work at Fort George army barracks (Note 19). The former Department for Social Development (DSD) acquired the Fort George site from the Londonderry Port and Harbour Commissioners (LPHC) in 2004, having been on leasehold to the Ministry of Defence (MoD). The Department received an indemnity from the MoD to meet the cost for decontamination.

In 2010–11 the MoD made an offer to DSD for £3.2 million in exchange for the formal release and legal cancellation of the existing indemnities against the MoD. The Department accepted the offer and the decontamination project commenced in 2010–11, with income being released as expenditure is incurred. It is expected to be completed in 2018–19.

2. Statement of Operating Costs by Operating Segment

		2016–17					
	Note	Strategic Policy & Resources £'000	Community Regeneration & Housing £'000	Community Cohesion £'000	Working Age Group & Social Inclusion Group £'000	Child Maintenance Service £'000	Total £'000
Gross Expenditure		957,124	449,699	120,937	5,366,058	45,152	6,938,970
Income		(899)	(73,577)	(586)	(20,578)	(29,721)	(125,361)
Net Expenditure	**SoAS9**	**956,225**	**376,122**	**120,351**	**5,345,480**	**15,431**	**6,813,609**
Total Assets		**(79,648)**	**563,178**	**103,881**	**218,883**	**5,999**	**812,293**

		2015–16 (Restated)					
	Note	Strategic Policy & Resources £'000	Community Regeneration & Housing £'000	Community Cohesion £'000	Working Age Group & Social Inclusion Group £'000	Child Maintenance Service £'000	Total £'000
Gross Expenditure		947,687	441,252	114,391	5,351,092	49,112	6,903,534
Income		(491)	(72,298)	(1,337)	(19,985)	(29,542)	(123,653)
Net Expenditure	**SoAS9**	**947,196**	**368,954**	**113,054**	**5,331,107**	**19,570**	**6,779,881**
Total Assets		**(73,727)**	**621,123**	**96,653**	**221,849**	**5,704**	**871,602**

Strategic Policy & Resources

Delivering high quality corporate services to the Department for Communities and developing our relationships with Local Government.

Community Regeneration & Housing

Delivering decent, affordable, sustainable homes and housing support, tackling area based deprivation and to creating urban centres which help bring divided communities together.

Community Cohesion

Delivering good policy and services to the voluntary and community sectors, across the culture, arts and leisure functions and in relation to stewardship of the historic environment.

Working Age Group & Social Inclusion Group

Helping people improve their lives by helping those who want to work, providing support to those who are unable to work and positively working with those people who won't work, bringing together a number of services including Universal Credit with social security policy and legislation, and employability and employment services. Also responsible for Pensions, Disability, Child Maintenance Services and Inclusion and Social Change.

Child Maintenance Service

Delivering the new statutory scheme across NI and Eastern England, old legacy schemes until 2018. Promoting parental financial responsibility and providing options, information and support to families.

On 9 May 2016 the 12 NICS departments were restructured to become 9. As a result the Department for Social Development became part of the Department for Communities resulting in a major difference in the composition of the reportable segments in 2016–17 from 2015–16.

Any transactions between the reportable segments are eliminated upon consolidation of the accounts.

3. Staff Costs

Staff cost comprise:

	2016–17 Total £'000	2015–16 (Restated) Total £'000
Wages and salaries	199,313	222,374
Social security costs	17,248	12,954
Other pension costs	40,326	42,254
		–
Sub Total	256,887	277,582
Less recoveries in respect of outward secondments	(99)	–
Total net staff costs	**256,788**	277,582
Of which:		
Charged to Administration	35,664	
Charged to Programme	221,124	
Total net costs	**256,788**	

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

4. Other Administration Costs

	Note	2016–17 £'000	2015–16 (Restated) £'000
Management consultancy		482	1,072
Accommodation costs		1,685	1,514
Contracted services		8,138	2,206
Travel and subsistence		1,669	309
Postage		350	165
Legal and Other Professional Costs		354	658
Computer and office running costs		236	217
Telecom		207	247
Printing and stationery		152	221
Other expenditure	4a	1,733	1,171
Non-cash items:			
Depreciation on administration property, plant and equipment	7 & 8	324	54
Loss on disposal of administration property, plant and equipment		–	–
Profit on disposal of administration property, plant and equipment		(11)	–
Permanent diminution in value of administration property, plant and equipment		(1)	–
Notional costs:	4b		
Accommodation costs		22,679	1,391
Other indirect charges and services		10,659	4,932
Auditor's remuneration and expenses	4c	261	121
Total		**48,917**	**14,278**

4a Other administration costs include: Machinery & Equipment £0.136 million, Staff Training £0.049 million, Compensation Payments £0.020 million, Advertising & Publicity £0.051 million, Research Costs £0.074 million, SNMA Judicial Review £0.120 million, Internal Consultancy £0.012 million, Other Professional Services £0.007 million and Miscellaneous £1.264 million.

4b Certain services are received by the Department from other Departments without the transfer of cash. These are categorised as notional costs.

4c The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller & Auditor General. There was no remuneration paid for non-audit work during the year.

5. Programme Costs

	Note	2016–17 £'000	2015–16 (Restated) £'000
Grants and other current expenditure	5a	3,826,739	3,800,549
Non-contributory programme overheads	SoAS7	11,902	28,170
Non-supply expenditure: contributory benefits	SoAS2	2,599,627	2,540,822
Contracted services		50,385	38,116
Accommodation costs		8,334	10,477
Medical adjudication		7,381	6,086
Card Account		4,251	4,564
Legal and Other Professional Costs		3,272	3,295
Postage		2,139	2,403
Management consultancy		772	1,139
Travel and subsistence		1,303	1,635
Printing and stationery		908	831
Computer and office running costs		1,009	1,011
Housing Advisory Branch		392	469
Landlord Registration		–	465
Other programme costs	5b	16,148	3,952
Non-cash items:			
Depreciation on programme property, plant and equipment	7 & 8	4,260	3,916
Release from General Fund in respect of GB capital items		(24)	(27)
Loss on disposal of programme property, plant and equipment		10	43
Profit on disposal of programme property, plant and equipment		(12)	(10)
Movement in programme provisions	20	25,274	73,892
Permanent diminution in value of programme property, plant and equipment		11,184	176
Housing Benefit Owner Occupiers		39,164	40,939
NICHA Financial Transactions Capital Funding		13,573	27,112
Discounting/Impairment on Housing Loans		5,175	(744)
Other		–	–

	Note	2016–17 £'000	2015–16 (Restated) £'000
Notional costs:	5c		
Accommodation costs		–	16,590
Other indirect charges and services		–	5,645
Auditors' remuneration and expenses	5d	–	158
Total		**6,633,166**	6,611,674

5a Current grants and other expenditure and contributory benefits expenditure is the amount of expenditure incurred in the year and excludes programme overheads. The expenditure analysed in Note SoAS1 includes programme overheads.

5b Other programme costs include: early departure and other staff charges £0.476 million, staff training & conference fees £0.183 million, telecommunications £0.493 million, advertising and publicity £0.972 million, special payments £0.081 million (£0.005 million relates to payments for CMS Client Funds special payments for maladministration), third party research £0.081 million, other professional costs £0.575 million, supplementary payments £8.444 million, discretionary payments £2.156 million, compensation payments £0.146 million, managed services £0.721 million and miscellaneous £1.820 million.

5c Certain services are received by the Department from other Departments without the transfer of cash.These are categorised as notional costs.

5d The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller & Auditor General. There was no remuneration paid for non-audit work during the year.

6. Income

This note analyses the income recorded in the Statement of Comprehensive Net Expenditure, net of any transfers between Request for Resources (See Note SoAS11).

Operating income is as follows:

	Note	RfR A £'000	2016–17 Total £'000	2015–16 (Restated) Total £'000
Recoveries from DWP		49,677	49,677	47,708
Interest Reimbursement from NIHE		29,406	29,406	34,287
NIHE House Sales		17,091	17,091	14,005
Housing Association Grant recoverable		18,639	18,639	14,218
EU receipts		–	–	7,250
Consolidated Fund Extra Receipts		1,427	1,427	2,207
Interest receivable		640	640	770
Bag Levy		–	–	585
Proceeds on disposal of assets held for resale		–	–	–
Landlord Registration		109	109	458
Recoveries of secondees' costs		427	427	669
2012 Child Maintenance Service		330	330	195
Recreation Income - Admission charges		311	311	288
Other	6a	7,304	7,304	1,013
Total	SoAS11	**125,361**	**125,361**	123,653

6a Other programme accruing resources include: Syrian Refugee Project £1.355 million, summer school recoveries £0.006 million, non-cash capital grant in respect of Mountview Properties transferred from MoD £5.000 million, mesotheliomia compensation scheme £0.069 million, salary recoupment £0.041 million, court recoveries £0.211 million, ATOS rental £0.075 million and miscellaneous £0.547 million.

7 Property, plant and equipment

2016–17	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2016	72,474	46,623	47,919	1,354	867	5,696	867	1,313	177,113
Adjustments to opening balances	–	(1)	–	38	14	(1,124)	–	–	(1,073)
Additions	2,202	–	169	8	198	1,579	87	392	4,635
Transfers in	160	–	–	481	4	1,100	–	–	1,745
Intercompany transfers in	–	–	–	10	–	(50)	–	–	(40)
Donations	–	5,000	–	–	–	–	–	–	5,000
Disposals	(344)	–	–	(25)	(47)	(737)	(96)	–	(1,249)
Intercompany transfers out	–	–	–	(481)	–	(4)	–	–	(485)
Reclassifications	–	1,118	–	3	2	21	–	(1,144)	–
Impairments	(11,317)	(57)	(1)	1	–	8	(4)	–	(11,370)
Upward Revaluations	5,363	(570)	3,955	30	25	5	14	–	8,822
Downward Revaluations	(1,264)	(72)	(1)	–	–	–	–	–	(1,337)
At 31 March 2017	**67,274**	**52,041**	**52,041**	**1,419**	**1,063**	**6,494**	**868**	**561**	**181,761**

7. Property, plant and equipment (continued)

2016–17	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Depreciation									
At 1 April 2016	31	3,260	9,569	1,189	638	4,355	648	–	19,690
Adjustments to opening balances	–	–	–	32	–	(666)	–	–	(634)
Intercompany transfers in	–	–	–	457	–	636	–	–	1,093
Charged in year	4	2,327	1,240	81	70	405	63	–	4,190
Disposals	–	–	–	(25)	(46)	(729)	(96)	–	(896)
Intercompany transfers out	–	–	–	(453)	–	(23)	–	–	(476)
Reclassifications	–	–	–	–	–	–	–	–	–
Impairments	–	(36)	–	–	–	5	–	–	(31)
Upward Revaluations	–	(3,157)	–	(16)	(4)	(95)	(80)	–	(3,352)
Downward Revaluations	–	(1,154)	–	–	–	–	–	–	(1,154)
At 31 March 2017	**35**	**1,240**	**10,809**	**1,265**	**658**	**3,888**	**535**	**–**	**18,430**
Carrying amount at 31 March 2017	**67,239**	**50,801**	**41,232**	**154**	**405**	**2,606**	**333**	**561**	**163,331**
Carrying amount at 31 March 2016	72,443	43,363	38,350	165	229	1,341	219	1,313	157,423

1. See note 1.3 Accounting Policies

7. Property, plant and equipment (continued)

2016–17	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Asset Financing									
Owned	67,239	49,585	41,232	154	405	2,606	333	561	162,115
Finance leased	–	1,216	–	–	–	–	–	–	1,216
On-Balance Sheet PFI contracts and other service concession arrangements	–	–	–	–	–	–	–	–	–
Contracts	–	–	–	–	–	–	–	–	–
Carrying amount at 31 March 2017	**67,239**	**50,801**	**41,232**	**154**	**405**	**2,606**	**333**	**561**	**163,331**

7. Property, plant and equipment (continued)

2015–16 (Restated)	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2015	66,510	43,772	46,106	1,341	845	5,429	869	1,357	166,229
Adjustments to opening balances	(31)	–	35	–	–	(3)	(4)	–	(3)
Additions	6,091	(54)	1,805	28	19	122	–	634	8,645
Transfers in	475	–	–	–	31	153	–	(161)	498
Intercompany transfers in	–	–	–	–	–	72	–	–	72
Donations	–	–	–	–	–	–	–	–	–
Disposals	(79)	(2)	(27)	(9)	(30)	(59)	–	–	(206)
Intercompany transfers out	–	–	–	–	–	(72)	–	–	(72)
Reclassifications	(579)	517	–	–	–	–	–	(517)	(579)
Impairments	(85)	(175)	–	–	–	31	–	–	(229)
Upward Revaluations	172	429	–	–	2	23	2	–	2,840
Downward Revaluations	–		–	(6)	–	–	–	–	(82)
At 31 March 2016	**72,474**	**46,623**	**47,919**	**1,354**	**867**	**5,696**	**867**	**1,313**	**177,113**

7. Property, plant and equipment (continued)

2015–16 (Restated)	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Depreciation									
At 1 April 2015	27	2,558	8,399	1,055	570	4,014	580	–	17,203
Adjustments to opening balances	–	–	–	(2)	–	–	–	–	(2)
Intercompany transfers in	–	–	–	–	30	27	–	–	57
Charged in year	4	1,866	1,174	159	66	360	67	–	3,696
Disposals	–	(2)	(4)	(7)	(30)	(47)	–	–	(90)
Intercompany transfers out	–	–	–	–	–	(34)	–	–	(34)
Reclassifications	–	–	–	–	–	–	–	–	–
Impairments	–	(74)	–	–	–	18	–	–	(56)
Upward Revaluations	–	(667)	–	–	2	17	1	–	64
Downward Revaluations	–		–	(16)	–	–	–	–	(1,148)
At 31 March 2016	**31**	**3,260**	**9,569**	**1,189**	**638**	**4,355**	**648**	**–**	**19,690**
Carrying amount at 31 March 2016	72,443	43,363	38,350	165	229	1,341	219	1,313	157,423
Carrying amount at 31 March 2015	66,483	41,214	37,707	286	275	1,415	289	1,357	149,026

7. Property, plant and equipment (continued)

2015–16	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Asset Financing:									
Owned	72,443	42,075	38,350	165	229	1,341	219	1,313	156,135
Finance leased	–	1,288	–	–	–	–	–	–	1,288
On-Balance Sheet PFI contracts and other service concession arrangements	–	–	–	–	–	–	–	–	–
Contracts	–	–	–	–	–	–	–	–	–
Carrying amount at 31 March 2016	**72,443**	**43,363**	**38,350**	**165**	**229**	**1,341**	**219**	**1,313**	**157,423**

8. Intangible assets

2016–17	Computer Software £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2016	2,296	68	2,364
Additions	3,189	–	3,189
Donations	–	–	–
Disposals	(5)	–	(5)
Reclassifications	161	145	306
Impairments	–	–	–
Upward Revaluations	96	4	100
Downward Revaluations	–	–	–
At 31 March 2017	**5,737**	**217**	**5,954**
Amortisation			
At 1 April 2016	1,465	18	1,483
Charged in year	373	21	394
Disposals	(5)	-	(5)
Intercompany transfers in	208	98	306
Impairments	–	–	–
Upward Revaluations	(96)	3	(93)
At 31 March 2017	**1,945**	**140**	**2,085**
Carrying amount at 31 March 2017	**3,792**	**77**	**3,869**
Carrying amount at 31 March 2016	**831**	**50**	**881**
Asset Financing			
Owned	3,792	77	3,869
Finance leased	–	–	–
Contracts	–	–	–
Carrying amount at 31 March 2017	**3,792**	**77**	**3,869**

8. Intangible assets (continued)

2015–16	Computer Software £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2015	2,073	122	2,195
Additions	199	–	199
Donations	–	–	–
Disposals	–	(54)	(54)
Reclassifications	–	–	–
Impairments	1	–	1
Upward Revaluations	6	–	6
Downward Revaluations	17	–	17
At 31 March 2016	**2,296**	**68**	**2,364**
Amortisation			
At 1 April 2015	1,243	30	1,273
Charged in year	269	10	279
Disposals	–	(22)	(22)
Impairments	–	–	–
Upward Revaluations	1	–	1
Downward Revaluations	(48)	–	(48)
At 31 March 2016	**1,465**	**18**	**1,483**
Carrying amount at 31 March 2016	**831**	**50**	**881**
Carrying amount at 31 March 2015	**830**	**92**	**922**
Asset Financing			
Owned	831	50	881
Finance leased	–	–	–
Contracts	–	–	–
Carrying amount at 31 March 2016	**831**	**50**	**881**

9. Heritage Assets

	Land £'000	Buildings £'000	Other £'000	Total £'000
Cost or valuation				
At 1 April 2016	597	2	680	1,279
Additions	–	–	–	–
Donations	–	–	–	–
Disposals	–	–	–	–
Reclassifications	–	–	–	–
Impairments	(42)	(2)	–	(44)
Upward Revaluations	–	–	–	–
Downward Revaluations	–	–	–	–
At 31 March 2017	**555**	**–**	**680**	**1,235**
Amortisation				
At 1 April 2016	–	–	–	–
Charged in year	–	–	–	–
Disposals	–	–	–	–
Impairments	–	–	–	–
Upward Revaluations	–	–	–	–
Downward Revaluations	–	–	–	–
At 31 March 2017	**–**	**–**	**–**	**–**
Carrying amount at 31 March 2017	**555**	**–**	**680**	**1,235**
Carrying amount at 31 March 2016	**597**	**2**	**680**	**1,279**
Asset Financing				
Owned	555	–	680	1,235
Finance leased	–	–	–	–
Contracts	–	–	–	–
Carrying amount at 31 March 2017	**555**	**–**	**680**	**1,235**

9. Heritage Assets (continued)

	Land £'000	Buidlings £'000	Other £'000	Total £'000
Cost or valuation				
At 1 April 2015	597	2	680	1,279
Additions	–	–	–	–
Donations	–	–	–	–
Disposals	–	–	–	–
Reclassifications	–	–	–	–
Impairments	–	–	–	–
Upward Revaluations	–	–	–	–
Downward Revaluations	–	–	–	–
At 31 March 2016	**597**	**2**	**680**	**1,279**
Amortisation				
At 1 April 2015	–	–	–	–
Charged in year	–	–	–	–
Disposals	–	–	–	–
Impairments	–	–	–	–
Upward Revaluations	–	–	–	–
Downward Revaluations	–	–	–	–
At 31 March 2016	**–**	**–**	**–**	**–**
Carrying amount at 31 March 2016	**597**	**2**	**680**	**1,279**
Carrying amount at 31 March 2015	**597**	**2**	**680**	**1,279**
Asset Financing				
Owned	597	2	680	1,279
Finance leased	–	–	–	–
Contracts	–	–	–	–
Carrying amount at 31 March 2016	**597**	**2**	**680**	**1,279**

10. Assets classified as held for sale

	Total £'000
Balance at 1 April 2015	6,773
Additions	579
Disposals	(5,643)
Reclassifications	(475)
Impairments	–
Upward Revaluations	31
Downward Revaluations	–
Balance at 31 March 2016	1,265
Additions	–
Disposals	(39)
Reclassifications	(160)
Impairments	246
Upward Revaluations	592
Downward Revaluations	–
Balance at 31 March 2017	**1,904**
Asset Financing	
Owned	1,904
Balance at 31 March 2017	**1,904**

In accordance with the FReM assets which the Department has identified as surplus to requirement and held pending disposal have been written down to their recoverable amount and included as current assets.

Assets held for resale comprise some of the assets falling within the New Town Lands of Antrim, Ballymena and Craigavon and in Belfast and Londonderry. The properties are being offered for sale in anticipation of disposals being confirmed in 2017–18.

11. Inventories

	Note	**2016–17 £'000**	2015–16 (Restated) £'000	2014–15 (Restated) £'000
PRONI		136	106	129
Total		**136**	106	129

12. Impairments

	2016–17 £'000	2015–16 (Restated) £'000
Amount charged to the Statement of Comprehensive Net Expenditure	11,183	176
Amount taken through the revaluation reserve	137	(1,134)
Total Impairment charge for the year	**11,320**	(958)

13. Capital and other commitments

13.1 Capital commitments

	2016–17 £'000	2015–16 (Restated) £'000
Contracted capital commitments at 31 March not otherwise included in these financial statements	–	–
Property, plant and equipment	52,200	56,038
Information Technology	–	26
Total	**52,200**	56,064

Of the capital commitments under property, plant and equipment, £52.2 million relates to the Department's implementation of the Regional Stadium Development Programme in line with the key commitment under the Programme for Government. This is contractually committed under a funding agreement.

Capital commitments under information technology relate to a contract which was signed in January 2011 with Atos Origin IT Services UK Ltd for the provision of medical support services. The contract arrangements commenced in June 2011 for seven years. The total contract costs include charges for medical experts, administrative staff, accommodation and ICT infrastructure costs.

13.2 Commitments under leases

13.2.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

Obligations under operating leases comprise:	2016–17 £'000	2015–16 (Restated) £'000
Land:		
Not later than one year	–	–
Later than one year and not later than five years	–	–
Later than five years	–	–
Total	–	–
Buildings:		
Not later than one year	1,809	1,482
Later than one year and not later than five years	1,565	47
Later than five years	3,286	209
Total	6,660	1,738
Other:		
Not later than one year	6	22
Later than one year and not later than five years	–	2
Later than five years	–	–
Total	6	24
Total obligations under operating leases	6,666	1,762

Other commitments under operating leases include: photocopier leases £0.002 million and carparks £0.004 million.

13.2.2 Finance leases

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

13.3 Other Financial Commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements) for the services outlined below. The payments to which the Department is committed are as follows:

	Note	2016–17 £'000	2015–16 £'000
Not later than one year		61,065	1,009
Later than one year and not later than five years		103,152	37,599
Later than five years		65,598	58,084
Total		229,815	96,692

Included within Other Financial Commitments are:

Medical Support Services (MSS) (£10.9 million)

The Department signed a contract in January 2011 with Atos Healthcare for the provision of medical support services, for a period of seven years until June 2018, with an option to extend for a further 3 year period. Atos Healthcare are responsible for carrying out customer medical examinations required for assessing entitlement to a range of benefits including Employment Support Allowance and Disability Living Allowance. The contract arrangements commenced in June 2011. The total contract costs include charges for medical experts, administrative staff, accommodation and ICT infrastructure costs and these costs are variable being dependent on the volumetric usage of the contract e.g. the number of medical assessments undertaken.

The charges for the MSS contract for 2016–17 are £8.774 million (2015–16: £7.426 million).

Standard Service Business Allocation (£127.391 million)

The Department for Work and Pensions (DWP) has entered into contracts for Information Technology Services to support the administration and delivery of social security benefits. The Department for Communities is treated as a 'related organisation' for some of these DWP contracts. One of these DWP contracts is the Standard Services Business Allocation (SSBA) contract. The Department is not a signatory to the SSBA contract. The Department effectively buys a service from the contract, under the DWP contract terms and arrangements and DWP pass on the costs for the Department's share of the services it has consumed via a monthly re-charge.

The charges for the Standard Services Business Allocation contract for 2016–17 are £12.800 million (2015-16: £12.715 million).

Post Office Card Account (£15.900 million)

The Department for Social Development acting for and on behalf of the Social Security Agency is a party to the DWP contract for the provision of Post Office Card accounts with Post Office Ltd (commonly known as the Post Office Card Accounts contract). The Post Office Card Account service is a simple bank account service for recipients of benefits and tax credits which is contracted out to Post Office Ltd. The Government departments which utilise the contract are invoiced directly by Post Office Ltd on a monthly basis. The running costs of the contract are apportioned between the Government departments based on the volume of payments made to the Post Office Card accounts in the preceding month.

The charges for the Post Office Card Accounts contract for 2016–17 are £3.997 million (2015–16: £3.820 million).

Simple Payment Service (£0.168 million)

The Department for Work and Pensions (DWP) signed a seven year contract with Citibank on 13 September 2011. Citibank works in partnership with PayPoint, which provides the Personal Teller Service which facilitates the delivery of the Simple Payment Service. The Simple Payment Service predominantly replaces cheque payments for Social Security benefits.

The charges under the Simple Payment Service contract for 2016–17 year are £0.148 million (2015–16: £0.186 million).

Personal Independence Payment (PIP)/ Capita Contract (£72.290m)

The contract for the Personal Independence Payment (PIP) Assessment Service in Northern Ireland was awarded to Capita Business Services Limited on 20 November 2012. Subject to the Welfare Reform Bill successfully completing passage through the Northern Ireland Assembly, PIP will be introduced in Northern Ireland at a later date. Capita Business Services Limited will be responsible for carrying out independent assessments, on behalf of the Department, required for assessing entitlement to PIP. The contract costs will be subject to the date of the commencment of the contract and the volume of assessments undertaken.

Landlord Registration Database (£0.235 million)

All landlords who let properties under a private tenancy in Northern Ireland must register with the Department. The maintenance cost for administrating the Landlord Registration database has been contracted until 2020. Landlord registration is administered through NI Direct.

PRONI Specialist Storage (£2.931million)

14. Government grant commitments

	2016–17 £'000	2015–16 (Restated) £'000
Government grant commitments at 31 March for which no provision has been made	30,679	34,131
Other	–	–
Total	**30,679**	34,131

Future amounts payable under EU letters of Offer are included within this note as a commitment rather than as a provision within note 20.

15. Financial Instruments

As the cash requirements of the Department are met through the estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

Credit Risk

The Department manages its exposure to credit risk via credit risk management policies. Credit policies cover exposures generated from benefit overpayment receivables and Social Fund loans and are embedded within regulations governing Social Security benefits.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the statement of financial position. For benefit overpayment receivables and Social Fund loans the exposure to credit risk is the amount of debt or loan not recovered from benefit customers.

Liquidity risk

The Department's resource requirements are financed by resources voted by the Assembly and Parliament. It's capital expenditure is voted by the Assembly only. It is not, therefore, exposed to significant liquidity risks.

Interest rate risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Department has discounted the forecast future cash flows for estimated recoveries and write offs for benefit overpayment receivables and Social Fund loans. The Treasury discount rate to be applied is the real rate of 2.2%. The Treasury's discount rate is substantially independent of changes in market interest rates.

The Department categorises the following account balances to be financial instruments:

(i) Cash and cash equivalents

- Programme and resource financing
- NIF receivable
- Cash in Transit

Cash and cash equivalents are classified as financial instruments under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for these approximates to the current value stated in the statement of financial position owing to the short maturity of this instrument.

(ii) Loans and Receivables

- Benefit overpayment receivables (including Housing Benefit)
- Social Fund loans
- NIHE loan receivable
- Housing association loans
- Local authority loans
- Get Britain Building Loans

The benefit overpayment receivables and Social Fund loans are classified as financial instruments under IAS 32, IAS 39 and IFRS 7 criteria. These standards require these amounts to be stated in the statement of financial position at their fair value.

Financial instruments are carried at amortised cost using the effective interest method, with changes in value between 1 April 2016 and 31 March 2017 recognised in the statement of comprehensive net expenditure in the line which most appropriately reflects the nature of the item or transaction.

Given the nature of the NIHE, Local Authority and Housing Association Loan Receivables, the reason for their existence and the Department's policy towards them, the fair value is not materially different from the book value.

The amounts included in the 2016–17 accounts are:

Gross Receivables	Gross Receivables £'000	Impairment & Discounting Debt £'000	Net Receivables £'000
Receivables (amounts falling due less than one year):			
Contributory Benefits	889	(268)	621
Non-contributory Benefits	9,205	(2,123)	7,082
Housing Benefit	7,602	–	7,602
Funeral Loans	91	(2,302)	(2,211)
Other Loans	51,689	(497)	51,192
CRU Receivable	498	(28)	470
Housing Association Loans	1,124	–	1,124
Get Britain Building Loans	100	(4)	96
NIHE Loans	46,741	–	46,741
Salary Overpayments	176	(110)	66
Receivables (amounts falling due more than one year):			
Contributory Benefits	11,128	(6,810)	4,318
Non-contributory Benefits	98,165	(55,017)	43,148
Housing Benefit	13,838	(1,766)	12,072
Funeral Loans	4,264	(1,948)	2,316
Other Loans	36,100	(9,248)	26,852
Housing Association Loans	4,620	–	4,620
Get Britain Building Loans	40,406	(11,348)	29,058
NIHE Loans	255,182	–	255,182
NICHA FTC Funding	100,000	(40,685)	59,315
	681,818	**(132,154)**	**549,664**

(iii) Other Liabilities

Programme and resource payables and accruals

Contractual programme and resource payables and accruals are non-derivative financial instruments. These amounts are due within one year and have no impairment indicators.

The Department has reviewed all contracts including service level agreements and letters of offer with third parties for any embedded derivatives. The review concluded that any embedded derivatives which exist are outside the scope of IAS 39.

16. Investments and loans in other public sector bodies

	Loans £'000	Other £'000	Total £'000
Balance at 1 April 2015	44,355	–	44,355
Additions	94,498	–	94,498
Disposals	–	–	–
Repayments and Redemptions	(1,380)	–	(1,380)
Interest Capitalised	–	–	–
Revaluations	(26,369)	–	(26,369)
Impairments	–	–	–
Balance at 31 March 2016	111,104	–	111,104
Additions	5,502	–	5,502
Disposals	–	–	–
Repayments and Redemptions	(1,307)	–	(1,307)
Interest Capitalised	–	–	–
Revaluations	(18,748)	–	(18,748)
Impairments	–	–	–
Balance at 31 March 2017	**96,551**	**–**	**96,551**

Analysis by period:	**£'000**
Not later than one year	1,220
Later than one year and not later than five years	23,039
Later than five years	72,292
Balance at 31 March 2017	**96,551**

£5.744 million of the closing balance relates to 281 long term loans in place with 15 housing associations. These loans were awarded for a term of 30 years at the relevant interest rate at the time of the application which varies between 8.25% and 12.38%. £40.506 million remains outstanding in respect of Get Britain Building, Affordable Homes and Empty Homes loans which were awarded at 0% interest and are repayable in instalments until 2033. As a result these have been discounted by £11.352 million to reflect the timing of the receipt of payments. NICHA FTC funding of £5.502 million was issued during 2016–17 making the total issued £100.000 million. This is also at 0% interest and is repayable in installments over 25 years as a result these have also been discounted by £40.685 million. £2.388 million refers to an interest free loan to Ulster Supported Employment Limited. It is secured by a charge on the company's undertakings and property under a debenture dated 22 March 1963.

17. Cash and cash equivalents

	2016–17 £'000	2015–16 (Restated) £'000	2014–15 (Restated) £'000
Balance at 1 April	(1,457)	(2,901)	418,326
Net change in cash and cash equivalent balances	2,156	1,444	(421,227)
Balance at 31 March	**699**	(1,457)	(2,901)

The following balances at 31 March are held at:

	2016–17 £'000	2015–16 (Restated) £'000	2014–15 (Restated) £'000
Commercial bank balances	662	(1,479)	(2,927)
Cash at bank and in hand	37	22	26
Short term investments	–	–	–
Balance at 31 March	**699**	(1,457)	(2,901)

18. Trade receivables and other current assets

(The figures quoted below are net of any impairment or discount. Gross amounts are at Note 15).

18.1 Amounts falling due within one year:

	Note	**2016–17 £'000**	2015–16 (Restated) £'000	2014–15 (Restated) £'000
Inter-Departmental receivable with DWP		445	685	–
VAT		3,403	1,716	2,612
Benefit overpayments				
– Contributory benefits		621	631	706
– Non-contributory benefits		7,082	6,498	5,395
– Housing benefit		7,602	7,623	7,200
– Social Fund		50	61	74
– Other		–	–	–
Benefit prepayments				
– Contributory benefits		27,394	29,099	41,132
– Non-contributory benefits		14,649	14,443	23,722
Social Fund loans	18.1a			
– Funeral loans		(2,211)	(2,440)	(2,735)
– Budget loans		39,398	37,096	39,308
– Crisis loans		10,555	11,424	12,782
NIF receivable		5,003	4,240	4,295
NIHE receivable	18.1b	46,741	52,365	57,710
Grant repayable by NICHA		7,518	6,809	4,712
HAG recoverable from Housing Associations		–	–	4,836
HAG recoverable from NIHE		–	3,801	1,401
Grant overpaid to NIHE landlord		–	–	6,227
EU Receivable		10,045	10,047	12,225
Other receivables	18.1c–18.1e	4,924	3,601	5,342
Housing Benefit Rent and Rates Prepayment		7,536	7,581	7,306
Prepayments and accrued income		5,534	6,384	5,219
Amounts due from the Consolidated Fund in respect of supply		–	490	2,144
Total amounts falling due within one year		**196,289**	202,154	241,613

18.1a Social Fund Funeral Loans are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Social Fund Loans to be stated in the statement of financial position at their fair value. The impairment and discounting adjustment to the gross receivable amounts provide the fair value. The total net receivable for all funeral loans after impairment and discounting is £0.105 million (2015–16 £0.167 million).

18.1b Loans to the NIHE of £46.101 million and accrued interest of £0.640 million are recoverable within one year. There is a corresponding trade payable to DoF (Consolidated Fund) and to local authorities for this.

18.1c Other receivables consist of: loan interest receivables £0.152 million, land sales receivables £0.377 million, Departmental supply reallocation receivable – £1.416 million, and sundry receivables £0.633 million. (See below for further details.)

18.1d Included within other receivables is £0.527 million (2015–16 £0.678 million) that will be due to the Consolidated Fund once the receivables are collected.

18.1e In 2016–17 the former Social Security Agency undertook an exercise to value the benefit receivables amount not yet identified to Debt Centre NI (DCNI) and held at local and central benefit offices. The valuation is based on a stock count at 31 March 2017 and historical trends of average overpayment values. This has been valued in total at £4.797 million and is disclosed as £0.406 million in other receivables less than one year, and £4.391 million in other receivables falling due after more than one year.

18.2 Amounts falling due within one year:

	Note	**2016–17 £'000**	2015–16 (Restated) £'000	2014–15 (Restated) £'000
Benefit overpayments		–	–	
– Contributory benefits		4,318	3,926	3,297
– Non-contributory benefits		43,148	40,441	39,750
– Housing benefit		12,072	11,577	11,347
– Social Fund		–	–	–
– Other		–	–	–
Social Fund loans	18.2a	–	–	
– Funeral loans		2,316	2,607	3,003
– Budget loans		17,514	20,958	23,625
– Crisis loans		9,338	13,150	14,417
NIHE receivable	18.2b	255,182	301,283	352,967
Other receivables	18.2c	4,391	3,426	4,837
Total amounts falling due after more than one year		**348,279**	397,368	453,243
Total trade receivables and other current assets		**544,568**	599,522	694,856

18.2a Social Fund Funeral Loans are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Social Fund Loans to be stated in the statement of financial position at their fair value. The impairment and discounting adjustment to the gross receivable amounts provide the fair value. The total net receivable for all funeral loans after impairment and discounting is £0.105 million (2015–16 £0.167 million).

18.2b Loans to the NIHE of £255.182 million are shown in the Statement of Financial Position. There is a corresponding trade payable to both DoF (Consolidated Fund) and to local authorities for this.

18.2c Other receivables consist of £4.391 million relating to the valuation of benefit overpayment debt not yet identified to Debt Management Unit and held at local and central offices.

This balance represents social security benefits recoverable from insurance compensation claims. This receivable is only recognised in the statement of financial position at the point at which a settlement is notified to the Compensation Recovery Unit by the compensator. For benefit recoveries, this needs to be shown in the statement of financial position.

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 Department 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 Department's Statement of Financial Position, apart from those cases that have been settled but where the recoverable benefit element has not yet been received.

As an indication of the cash generated from this income stream for the Department for the year to 31 March 2017, £4.859 million (2015–16 £5.568 million) has been included in the Statement of Comprehensive Net Expenditure as a reduction to gross expenditure. There is no information to indicate that this level of income will differ significantly in the next financial year.

HSC Trusts

An exercise is completed each year by the Department's Compensation Recovery Unit (CRU) to estimate the potential value of those claims awaiting settlement from the insurance compensators and due to the Health and Social Care Trusts (HSCTs). The CRU collects the monies due from the insurance compensators on behalf of the HSC and those amounts are then forwarded to the Trusts themselves. The CRU estimate is based on the number of claims outstanding and the associated medical costs applicable to each claim. The value for the potential balance due at 31 March 2017 is estimated to be £30.730 million (2015–16: £30.209 million).

The total payments made from the Department to the Health Trusts in respect of claims recovered by the CRU from insurance companies for the period ended 31 March 2017 were £9.933 million (2015–16: £10.177 million).

CRU – Department Recoveries

The CRU exercise also identifies potential recoveries from the insurance compensators on behalf of the Department for the payment of social security benefits. The value for the potential balance due at 31 March 2017 is estimated to be £32.972 million (2015–16: £33.253 million).

The value for the potential receivable balance at 31 March 2017 is estimated to be £4.797 million (2015–16: £3.723 million) and is disclosed as £0.406 million (2015–16: £0.297 million) within other programme receivables less than one year, and £4.391 million (2015–16: £3.426 million) within other programme receivables falling due after more than one year.

For this financial year the equivalent amount of the receivables transferred between Northern Ireland and the Department for Work and Pensions (DWP) (GB) has been recorded as DWP receivables and payables balances. Accordingly, within the total balance of interdepartmental receivable of £0.446 million there is an amount of £0.123 million which represents the balance owing from DWP to the Department for benefit overpayment receivables that have transferred from NI to GB.

19. Trade payables and other current liabilities

19.1 Amounts falling due within one year:

	Note	**2016–17 £'000**	2015–16 (Restated) £'000	2014–15 (Restated) £'000
VAT		–	–	–
Other taxation and social security		4	1	1
Bank overdraft	17	–	1,480	2,926
Inter–Departmental payable with DWP		435	132	78
Trade payables:				
– Non–capital		104	1	86
– Capital		9	443	537
Benefit accruals:				
– Contributory benefits		31,597	29,424	20,257
– Non–contributory benefits		37,111	42,655	24,743
– Social Fund		33	–	54
– Other		–	–	–
NIF payable		–	–	–
Cash In Transit		51,252	19,997	92,428
NIHE payable	19.1a	46,741	4,985	57,710
Vested Land Payable		3,640	37,397	3,509
Other payables		25,701	3,700	22,196
Grants accrual	19.1b	33,864	2,801	49,920
Housing Benefit accrual		16,447	53,312	18,624
EU grants accrual		–	379	9,747
Financial Assistance Scheme accrual		4,995	36,685	4,861
Deferred Grant Income		2,635	52,365	2,832
Other accruals and deferred income		42,593	22,826	39,252
Amounts issued from the Consolidated Fund for supply but not spent at year end		4,784	1,838	3,052
Consolidated Fund extra receipts due to be paid to the Consolidated Fund				
– Received		481	1,361	395
– Receivable		527	678	1,204
Total amounts falling due within one year		**302,953**	312,460	354,412

19.1a NIHE Loans consist of the following: payables to DoF (Consolidated Fund) of £43.836 million (2015–16 £49.289 million) and to local authorities of £2.265 million (2015–16 £2.396 million). Also included in the total is accrued interest of £0.640 million (2015–16 £0.680 million). These are shown in the Statement of Financial Position. There is a corresponding trade receivable of £46.741 million (2015-16 £52.365 million) due from the NIHE.

19.1b Other payables consist of: land sales deposits £0.110 million, HMRC £0.097 million, Inter Government £2.008 million, health service £1.219 million, accrual for pension payments to Appeals Panel members falling due under the O'Brien test-case £18.400 million (See 19.1c), NICTS accruals £0.505 million, equal pay accrual £0.011 million, grant payable to Bryson for Syrian refugees £0.521 million, grant payable to NICHA £0.640 million and sundry payables £2.190 million.

19.1c O'Brien v Ministry of Justice
The other payables figure includes an accrual of £18.400 million in respect of judicial pension liabilities arising as a result of the O'Brien case. This case involved a challenge by Mr O'Brien to the non-provision of pensions to fee-paid part-time judges.

In 2013, the Supreme Court (and the Court of Justice of the European Union) held that Mr O'Brien was a part-time worker within the meaning of the Directive and Regulations, and was therefore eligible to pension entitlement. The cost of providing this pension entitlement and the pension entitlement for all part-time judges who were fee paid by the Department, has been reflected in the financial statements of this Department. The Department is named, amongst others, as a respondent in an ongoing industrial tribunal case involving 'O'Brien' claims by fee-paid judicial office holders.

19.2 Amounts falling due after more than one year:

	Note	**2016–17 £'000**	2015–16 £'000	2014–15 £'000
NIHE payable	19.2a	255,182	301,283	352,967
Other programme payables		–	–	–
Total amounts falling due after more than one year		**255,182**	301,283	352,967
Total payables and other current liabilities		**558,135**	613,743	707,379

19.2a NIHE Loans consist of the following trade payables to DoF (Consolidated Fund) of £249.656 million (2015–16 £293.492 million) and to local authorities of £5.526 million (2015–16 £7.791 million).

There is a corresponding trade receivable for this total £255.182 million (2015–16 £301.283 million) due from NIHE.

20. Provisions for liabilities and charges

	Note	2016–17			
		Early Departure Costs £'000	**Financial Assistance Scheme £'000**	**Other Programme £'000**	**Total £'000**
Balance at 1 April		14	218,719	2,516	221,249
Provided in the year	5	–	22,741	617	23,358
Provisions not required written back	5	–	–	(632)	(632)
Provisions utilised in the year		(9)	(4,995)	(378)	(5,382)
Borrowing Costs (Unwinding of discount)	5	–	2,519	29	2,548
Other	5	(1)	–	171	170
Balance at 31 March		**4**	**238,984**	**2,323**	**241,311**

	Note	2015–16 (Restated)			
		Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000
Balance at 1 April		37	150,139	2,240	152,416
Provided in the year	5	5	66,996	580	67,581
Provisions not required written back	5	–	–	(272)	(272)
Provisions utilised in the year		(29)	(4,985)	(45)	(5,059)
Borrowing Costs (Unwinding of discount)	5	–	6,569	14	6,583
Other	5	1	–	(1)	–
Balance at 31 March		14	218,719	2,516	221,249

Analysis of expected timing of discounted flows

	2016–17			
	Early Departure Costs £'000	**Financial Assistance Scheme £'000**	**Other Programme £'000**	**Total £'000**
Not later than one year	4	5,737	2,008	7,749
Later than one year and not later than five years	–	26,540	315	26,855
Later than five years	–	206,707	–	206,707
Balance at 31 March	**4**	**238,984**	**2,323**	**241,311**

	2015–16 (Restated)			
	Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000
Not later than one year	9	4,953	2,164	7,126
Later than one year and not later than five years	4	24,036	234	24,274
Later than five years	1	189,730	118	189,849
Balance at 31 March	14	218,719	2,516	221,249

Early departure costs

The Department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS(NI) over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 0.24% in real terms.

Financial Assistance Scheme

The Financial Assistance Scheme provides financial assistance to members of certain occupational pension schemes who have lost part or all of their pensions as a consequence of their scheme ending without having enough money to pay full pensions benefits. The Department for Work and Pensions calculate the provision on behalf of the whole of the UK, including Northern Ireland, using statistical models. As some employees were quite young when their pension scheme ended the Department for Work and Pensions model has forecast payments up until 2100. The provision is calculated using a discount rate of 2.0% for inflation and a further rate for NPV, -0.75% for short-term, 0.01% for medium-term and 1.18% for long-term provisions.

Other

Other programme provisions include personal injury £0.829 million, equal opportunities £0.386 million and O'Brien long service award £1.108 million. The long service award is related to the Judicial Pension Scheme (JPS). The JPS is an unregistered pension scheme and, as such, does not receive the same tax treatment as a registered scheme. One implication of this is that retirement lump sums paid from the JPS are taxed, whereas these would be tax free under current tax arrangements in a registered pension scheme. In addition to the JPS lump sum, judges are paid a long service award which, in effect, seeks to compensate judges for the tax paid on the lump sum. It is likely that fee-paid judges will also be paid pension benefits from an unregistered pension scheme. Therefore, an equivalent long service award is likely to be paid. GAD calculates the provision in respect of Northern Ireland for the long service award each year. The net long service award that members receive is the same as the tax paid on the lump sum. The long service award is itself an employee benefit that is subject to income tax and national insurance and the liability for the award is grossed up for both income tax (at an assumed marginal rate) and employer National Insurance payable by DfCNI on the long service awards. The 2016–17 ratio is just over 6% of the overall liability. So the provision for long service awards for fee paid judges that are DfC's responsibility might reasonably be estimated as just over 6% of the total liability of £18.400 million.

21. Contingent liabilities disclosed under IAS 37

The Department has entered into the following contingent liabilities:

Urban Regeneration and Community Development Group:

There is an estimated contingent liability for Outstanding Public Liability Claims of £0.236 million.

Child Maintenance Service (CMS):

From April 1995 some debt has been deferred and will not be recoverable from clients provided certain conditions have been met. This could result in the Division taking over this debt from the parent with care. The maximum potential liability at 31 March 2017 is £0.008 million (2015–16 £0.008 million). To date only £0.206 million has been paid out and as a result it is deemed too soon to accurately predict the total amount which will be paid.

Working Age & Social Inclusion

The Department recognises recoveries of social security benefits from insurance companies in respect of ongoing compensation claims made by the benefit recipients. Once the recovery of the social security benefit is received by the Department's Compensation Recovery Unit (CRU), the insurance company has the right to appeal within one month. Should the appeal be successful the recovery is refunded to the insurance company. Analysis of historic data suggests it is reasonable to recognise a contingent liability of £0.379 million (2015–16: £0.547 million) for successful appeals from insurance companies.

The Department is accountable for lump sum compensation payments in relation to pneumoconiosis and certain other dust related diseases. Payments due under the Pneumoconiosis, etc., (Workers Compensation) (Northern Ireland) Order 1979 compensate those suffering from certain dust diseases where, at the time of submitting their claim to the scheme, they are unable to claim compensation by way of civil action in the courts. Award of Industrial Injuries Disablement Benefit (IIDB) is a precondition for payments to all sufferers and most dependants under this scheme.

Compensation payments due under the Mesothelioma, etc., Act (Northern Ireland) 2008 are made through the Mesothelioma Scheme (2008). This scheme was introduced on 1 October 2008 and compensates sufferers from Mesothelioma who are not eligible for help from the 1979 Order. Payments made under this scheme are financed by recovery from civil damages paid to sufferers claiming under both schemes, and contributions from DWP towards meeting the costs of the scheme in Northern Ireland.

The diseases covered by both schemes have a long latency period which makes the number of years over which claims will continue to be made unclear. No reliable estimate of the financial effect can therefore be given.

Financial Guarantees, Indemnities and Letter of Comfort

The Department has entered into the following quantifiable indemnities. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39. Managing Public Money Northern Ireland requires that the full potential costs of such contracts be reported to the Assembly.

Statutory Guarantees

The Department has entered into a guarantee agreement with the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in respect of Armagh Observatory and Planetarium, Arts Council of Northern Ireland and Northern Ireland Library Authority.

The Department has guaranteed any and all obligations in respect of pension liabilities if any of these NDPBs ceases to exist or is otherwise unable to discharge its liabilities under the Local Government Pension Scheme Regulations (Northern Ireland) 2002.

Statutory indemnities

Indemnities to cover local museums borrowing objects for exhibitions to the value of £1.105 million at 31 March 2017.

22. Related-party transactions

The Department for Communities sponsors those bodies listed in Note 24. All these bodies are regarded as related parties with which the Department has had material transactions during the year.

The Department had a related party transaction with the Special EU Programme Body (SEUPB). At 31 March 2017 there was a receivables balance with the EU Commission of £10.045 million.

In addition, the Department has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with the Department of Health and the Department for Infrastructure. Other entities include the Department for the Economy, the Department of Finance and the Department for Work and Pensions in Great Britain.

No minister, board member, key manager or other related party has undertaken any material transaction with the Department for Communities during the year.

23. Payment Accuracy

This note provides detail on the area of Payment Accuracy (benefit fraud and error), and the relevant estimated amounts of overpayments and underpayments across all Department for Communities benefits and Housing Benefit.

Department for Communities ('the Department')

Social Security legislation lays out the basis on which the Department calculates and pays benefits. However, the complexity of the benefit systems and inherent risks associated with the award and payment of benefits can result in inaccurate payments being made in a proportion of the awards made. The Department has a robust security strategy in place to tackle incorrectness and measure results. The focus is on the prevention, detection and correction of fraud and error, with investigation and prosecution where appropriate. Further information on the range and detail of the Department's counter fraud and error activities is set out in Part B – Strategies to Reduce Fraud and Error.

The Department currently administers 33 benefits. Processing volumes related to this are approximately 28 million benefit payments per year, with 540,000 new claims and more than 746,000 changes of circumstances notified by customers. A benefit system of such a scale, complexity, and sensitivity to changing customer circumstances, and human behaviours, is vulnerable to fraud and human error. Despite these challenges social security benefits excluding Housing Benefit has successfully maintained levels of loss due to fraud and error at just 1%, or less, of expenditure for the past five consecutive years – a performance which exceeds that of any comparative organisation.

During the calendar year 2016 the Department has continued its regular monitoring and measurement of the levels of fraud and error. Essentially this involves two main activities:

(i) Financial Accuracy Monitoring

(ii) Benefit Reviews

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

The tables in this section show estimates for Customer Fraud, Customer Error and Official Error in terms of overpayments and underpayments. For clarity additional tables have also been included within the 2016 Payment Accuracy note to show the totals of estimated overpayments and underpayments for the previous calendar year.

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

Roundings: In tables throughout the report figures may have been calculated to more decimal places than shown and have been rounded for presentational purposes. This means that where a breakdown of a total is given the rounded individual parts may not sum to the rounded total.

Confidence Intervals: around the statistical estimates provided in the tables. The Department reviews a sample of claims; this is a sampling approach as it would be impractical to assess every case and therefore requires a level of statistical certainty to underpin the estimates. This level of certainty is quantified with confidence intervals or tolerances within which the central estimates are produced. These give the range in which the Department has a confidence level of 95%. This means the Department can be 95% sure that the true value lies for each of the estimates presented. Each of the following tables shows the monetary value of error (MVE) and the MVE as a percentage of expenditure. The associated 'range' or 'lower' and 'upper 'confidence intervals are also provided. The figures also account for additional uncertainty that has been introduced into the overall estimates by the introduction of data from previous years.

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

Estimating Unreviewed Benefits

The Department is committed to continuous improvement in its measurement of fraud & error. In 2016, for the first time, the Department has applied proxy figures to NI NIF benefits. This approach brings its methodology further in line with DWP. The Department will consider extending the use of proxy figures in future years.

The use of proxy figures for customer fraud and error represents a methodology change so care should be taken when making comparisons between 2016 and previous years.

Bereavement Benefit, Maternity Allowance, and Widows Benefit were not reviewed in 2016. The table below shows the unreviewed benefits and the benefits used to provide an estimate for these benefits. These are known as Proxy Benefits as they provide an approximate estimate for the unreviewed benefit.

Main Benefit	Proxy Measure	Benefit Review Period
Bereavement Benefit	JSA	Jan 16–Dec 16
Maternity Allowance	ESA	Jan 16–Dec 16
Widows Benefit	JSA	Jan 16–Dec 16

The table below shows the individual elements of the Other Expenditure element and the benefits used to provide an estimate for these elements. The Proxy Benefits used are in line with the Department for Work & Pensions.

Other Expenditure Item	Proxy Measure	Official Review Period	Benefit Review Period
Christmas bonus (Contributory)	Overall*	Jan 16–Dec 16	Jan 16–Dec 16

*The Overall result is based on the State Welfare Benefits and does not include Housing Benefit – Northern Ireland Housing Executive or Housing Benefit – Land and Property Services.

Social Security Benefits

Official Error: The official error estimates for 2016 are based on the results of the Department's Financial Accuracy Exercises completed in 2016 with the exception of Incapacity Benefit, Attendance Allowance, Bereavement Benefit, Carer's Allowance, Industrial Injuries Disablement Benefit, Maternity Allowance, Widow's Benefit, Disability Living Allowance, and Social Fund (Funeral Payments (FP) & Sure Start Maternity Grants (SSMG)). Incapacity Benefit is based on results from 2011; Widow's Benefit is based on results from 2012; Social Fund (FPSSMG) is based on results from 2013; Attendance Allowance, Bereavement Benefit, Carer's Allowance, Industrial Injuries Disablement Benefit, and Maternity Allowance are based on 2014 results. Disability Living Allowance is based on results from 2015.

Customer Error and Customer Fraud: Customer error and customer fraud estimates for Employment and Support Allowance, Jobseeker's Allowance and State Pension Credit are based on results from the Benefit Review completed in 2016. Customer error and customer fraud estimates for Income Support are based on the results of the Benefit Reviews completed in 2012. Customer error and customer fraud estimates for Carer's Allowance are based on the results of the Benefit Reviews completed in 2010. Customer error and customer fraud estimates for Incapacity Benefit and State Pension are based on the results of the Benefit Reviews in 2009. Customer error and customer fraud estimates for Disability Living Allowance are based on the results of the Benefit Review in 2008.

Benefit Expenditure: In summary the expenditure stated for 2016 includes expenditure on 15 benefits, a total of £5,125 million, plus an amount of £66.6 million on other benefit expenditure in year. Total annual expenditure is £5,192 million.

Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2016 includes, Retirement Pension £4.3 million, Job Grant £1.5 million, Family Benefits £39k, Severe Disablement Allowance £6.4 million, Winter Fuel Payments £52.9 million, Cold Weather Payments £375, and Christmas Bonus (Non-contributory) £1.6 million.

Jobseeker's Allowance Training Allowances: The figures quoted in the tables below for the annual benefit expenditure amounts for Jobseeker's Allowance include the associated expenditure for Jobseeker's Training allowances as provided by the Department.

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

Incapacity Benefit: Incapacity Benefit expenditure is £0, but an accounting adjustment related to the benefit has resulted in a negative expenditure. It has not been applied to the benefit, but added in as an additional expenditure item.

Personal Independence Payment: Personal Independence Payment was introduced in Northern Ireland on 20 June 2016. There was no financial accuracy monitoring exercise or benefit review carried out on the benefit in 2016. The Department intends to measure the benefit in future years.

Housing Benefit
1 For Tenants / 2 For Owner Occupiers

1. Housing Benefit – for tenants: is administered by the Northern Ireland Housing Executive on behalf of the Department. From 2009 Housing Benefit monitoring and review processes are consistent with the measurement approach adopted for all other social security benefits. Financial Accuracy Exercise measures Official error. Benefit Review measures Customer Fraud and Customer Error. The results provide estimates of fraud and error in Housing Benefit for tenants. The 2016 benefit expenditure on Housing Benefit for tenants was £664.6 million.

It is estimated that there was a total amount of approximately £28.8 million overpaid through fraud and error in Housing Benefit for tenants for the year 2016. This represents approximately 4.3% of the related expenditure for the calendar year, of which £20.0 million (3.0%) is Customer Fraud, £3.3 million (0.5%) is Customer Error and £5.5 million (0.8%) is Official Error. The overall percentage has increased from 2.9% in 2015 to 4.3% in 2016.

2016 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2016. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2016.

2015 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2015. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2015.

2. Housing Benefit – for owner occupiers: by legislation this benefit is administered by the Department of Finance (DoF). Operationally, this function is carried out by the Land and Property Services, part of the Department of Finance. The 2016 benefit expenditure on Housing Benefit for owner occupiers was £39.0 million.

It is estimated that there was a total amount of approximately £5.6 million overpaid through fraud and error in Housing Benefit for owner occupiers for the year 2016. This represents approximately 14.4% of the related expenditure for the financial year, of which £2.5 million (6.4%) is Customer Fraud, £1.3 million (3.4%) is Customer Error and £1.7 million (4.5%) is Official Error. Compared to 2015 overpayments in Housing Benefit for owner occupiers have decreased from £7.7m (18.6%) to £5.6 (14.4%) in 2016.

Housing Benefit for owner occupiers has been included in the Resource Accounts of the Department since 2006–07.

2016 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2016. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2016.

2015 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2015. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2015.

Total Departmental Benefit Expenditure (all social security benefits including Housing Benefit)
Total Departmental benefit expenditure has increased from £5,790 million in 2015, to £5,896 million in 2016.

£664.6 million of the £5,896 million relates to Housing Benefit expenditure for NIHE tenants in 2016. £39.0 million relates to Housing Benefit expenditure for owner occupiers.

A: Overpayments

Benefit Overpayments

The table below shows the Department's total estimates of benefit overpayments for the last 2 years, 2016 and 2015 (all social security benefits including Housing Benefit).

Estimates of Benefit Overpayments for 2016 and 2015

2016	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	5,895,594,124	24,330,416	18,235,497	32,594,990	0.4%	0.3%	0.6%
Customer Error	5,895,594,124	11,676,212	8,325,343	16,276,363	0.2%	0.1%	0.3%
Customer Fraud	5,895,594,124	51,678,129	41,171,583	63,728,823	0.9%	0.7%	1.1%
Total Overpayments	**5,895,594,124**	**87,684,758**	**75,084,604**	**103,004,151**	**1.5%**	**1.3%**	**1.7%**

2015	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	5,789,575,334	25,063,811	19,525,393	33,124,289	0.4%	0.3%	0.6%
Customer Error	5,789,575,334	8,683,174	6,215,284	11,900,843	0.1%	0.1%	0.2%
Customer Fraud	5,789,575,334	45,061,975	35,838,547	55,626,332	0.8%	0.6%	1.0%
Total Overpayments	**5,789,575,334**	**78,808,960**	**67,771,017**	**92,481,207**	**1.4%**	**1.2%**	**1.6%**

The Department estimates that approximately £87.7 million overpaid through fraud and error in social security benefits (including Housing Benefit) for 2016. This represents approximately 1.5% of the total benefit expenditure, including housing benefit, for 2016, of which £51.7 million (0.9%) is Customer Fraud, £11.7 million (0.2%) is Customer Error and £24.3 million (0.4%) is Official Error.

The comparative estimate for 2015 is that there was approximately £78.8 million overpaid through fraud and error in social security benefits (including housing benefit) for 2015. This represents approximately 1.4% of the total benefit expenditure for 2015, of which £45.1 million (0.8%) is Customer Fraud, £8.7 million (0.1%) is Customer Error and £25.1 million (0.4%) is Official Error. In summary, Departmental loss in 2016 increased by 0.1% against an increase in benefit expenditure over the same period of over £106 million. The increased loss detected during 2016 related solely to changes in customer behaviour. The levels of loss due to official error remained at 0.4%. Levels of loss due to customer fraud and error combined increased from 0.9% in 2015 to 1.1% of total benefit expenditure in 2016. Part of this increase in loss can be attributed to the change in methodology and the use of proxy elements in 2016.

Social Security Benefits (Excluding Housing Benefit): From the total £87.7 million overpayments, the 2016 estimate for overpayment through fraud and error which is attributable to social security benefits (excluding Housing Benefit) is £53.2m. This represents approximately 1.0% of the total social security benefit expenditure for 2016, of which £29.1 million (0.6%) is Customer Fraud, £7.0 million (0.1%) is Customer Error and £17.1 million (0.3%) is Official Error. In summary, loss in 2016 in monetary terms remained at the same levels as 2015 despite an increase in benefit expenditure over the same period of over £110 million.

A detailed breakdown of the total overpayment amount for 2016 of £87.7 million, which includes Housing Benefit, is disclosed in the following tables. The tables are produced to depict the individual totals arising from the three main elements of benefit overpayments, i.e. Official Error, Customer Error and Customer Fraud. Figures for the 2015 year are also included for comparative purposes. In addition tables are also included at Part C that disclose the estimated amount of underpayments that have arisen from both Official and Customer Error in the 2016 and 2015 years.

Official Error – Overpayments

Official Error occurs where benefit awards are miscalculated as a result of an official not applying the benefit specific rules correctly or not taking into account all the circumstances applicable to an individual. The table below sets out the estimate of Official Error in 2016. Estimates of Official Error in 2015 are also shown for comparative purposes.

Estimates of Official Error Overpayments Across all Benefits in 2016

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	1,026,272,247	1,342,733	–	5,770,254	0.1%	0.0%	0.6%	Jan 15–Dec 15 updated
Employment and Support Allowance	840,829,736	9,001,393	5,432,481	13,113,140	1.1%	0.6%	1.6%	Jan 16–Dec 16
Incapacity Benefit	–	–	–	–	–	–	–	Jan 11–Dec 11 updated
Income Support	152,555,530	925,101	232,061	1,805,845	0.6%	0.2%	1.2%	Jan 16–Dec 16
Jobseeker's Allowance	125,279,056	366,983	118,497	666,202	0.3%	0.1%	0.5%	Jan 16–Dec 16
State Pension	2,202,006,855	733,535	32,434	1,803,886	0.0%	0.0%	0.1%	Jan 16–Dec 16
State Pension Credit	270,943,201	4,365,245	2,737,308	6,266,109	1.6%	1.0%	2.3%	Jan 16 –Dec 16
Attendance Allowance	201,153,545	–	–	–	–	–	–	Jan 14–Dec 14 updated
Bereavement Benefit	18,614,818	57,626	–	261,040	0.3%	0.0%	1.4%	Jan 14–Dec 14 updated
Carer's Allowance	154,862,686	–	–	–	0.0%	0.0%	0.0%	Jan 14–Dec 14 updated
Industrial Injuries Disablement Benefit	29,657,146	–	–	–	–	–	–	Jan 14–Dec 14 updated
Maternity Allowance	12,766,068	–	–	–	–	–	–	Jan 14–Dec 14 updated
Social Fund	80,863,227	319,731	157,948	550,413	0.4%	0.2%	0.7%	See note
Widow's Benefit	1,323,868	3,376	–	10,679	0.3%	0.0%	0.8%	Jan 12–Dec 12 updated
Incapacity Benefit v2 (5)	(739,901)	–	–	–	–	–	–	
Personal Independence Payments	5,382,835	–	–	–	–	–	–	
Other Expenditure (Non-NIF)	66,621,041	–	–	–	–	–	–	
Christmas Bonus (Contributory Only)	3,521,507	11,617	8,315	16,028	0.3%	0.2%	0.5%	Proxy Exercise

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Exercise
Social Security Benefits	5,191,913,465	17,127,340	12,262,130	23,625,666	0.3%	0.2%	0.5%	Social Security Benefits
Housing Benefit Tenants	664,616,389	5,453,280	1,828,489	10,517,289	0.8%	0.3%	1.6%	Jan 16–Dec 16
Housing Benefit Owner Occupier	39,064,270	1,749,796	1,167,848	2,406,113	4.5%	3.0%	6.2%	Jan 16–Dec 16
Housing Benefit	703,680,659	7,203,076	–	–	1.0%	–	–	
Total	5,895,594,124	24,330,416	18,235,497	32,594,990	0.4%	0.3%	0.6%	

Estimates of Official Error Overpayments Across all Benefits in 2015

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

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Exercise
Incapacity Benefit	(878,476)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Security Benefits	5,081,640,214	18,239,243	13,189,737	25,691,341	0.4%	0.3%	0.5%	
Housing Benefit Tenants	666,441,937	3,255,219	1,125,684	6,204,995	0.5%	0.2%	0.9%	Jan 15–Dec 15
Housing Benefit Owner Occupier	41,493,183	3,569,349	2,768,323	4,427,469	8.6%	6.7%	10.7%	Jan 15–Dec 15
Housing Benefit	707,935,120	6,824,568	–	–	1.0%	–	–	
Total	5,789,575,334	25,063,811	19,525,393	33,124,289	0.4%	0.3%	0.6%	

Customer Error – Overpayments

Customer error occurs where there has been a failure by the customer to notify a reportable change that affects the benefit in payment but there is no suspicion of fraud/fraudulent intent. The table below sets out the estimate of Customer Error overpayments in 2016. Estimates of Customer Error in 2015 are also shown for comparative purposes.

Estimates of Customer Error Overpayments across all benefits in 2016

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	1,026,272,247	–	–	–	–	–	–	Jan 08–Dec 08 updated
Employment and Support Allowance	840,829,736	2,261,425	818,247	4,014,512	0.3%	0.1%	0.5%	Jan 16–Dec 16
Incapacity Benefit	–	–	–	–	1.0%	0.0%	2.9%	Jan 09–Dec 09 updated
Income Support	152,555,530	669,133	–	1,635,554	0.4%	0.0%	1.1%	Jan 12–Dec 12 updated
Jobseeker's Allowance	125,279,056	24,591	–	60,060	0.0%	0.0%	0.0%	Jan 16–Dec 16
State Pension	2,202,006,855	–	–	–	–	–	–	Jan 09–Dec 09 updated
State Pension Credit	270,943,201	3,910,995	2,124,652	6,052,992	1.4%	0.8%	2.2%	Jan 16–Dec 16
Attendance Allowance	201,153,545	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,614,818	3,654	–	8,924	0.0%	0.0%	0.0%	Proxied using JSA
Carer's Allowance	154,862,686	84,987	–	433,877	0.1%	0.0%	0.3%	Jan 10–Dec 10 updated
Industrial Injuries Disablement Benefit	29,657,146	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,766,068	34,335	12,423	60,951	0.3%	0.1%	0.5%	Proxied using ESA
Social Fund	80,863,227	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,323,868	260	–	635	0.0%	0.0%	0.0%	Proxied using JSA
Incapacity Benefit v2 (5)	–739,901	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Personal Independence Payments	5,382,835	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Expenditure (Non-NIF)	66,621,041	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Christmas Bonus (Contributory Only)	3,521,507	4,744	3,093	6,748	0.1%	0.1%	0.2%	Proxy Exercise

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Social Security Benefits	5,191,913,465	6,994,123	4,562,531	9,946,945	0.1%	0.1%	0.2%	
Housing Benefit Tenants	664,616,389	3,334,895	1,074,897	6,826,913	0.5%	0.2%	1.0%	Jan 16–Dec 16
Housing Benefit Owner Occupier	39,064,270	1,347,194	891,019	1,845,237	3.4%	2.3%	4.7%	Jan 16–Dec 16
Housing Benefit	703,680,659	4,682,089	–	–	0.7%	–	–	
Total	**5,895,594,124**	**11,676,212**	**8,325,343**	**16,276,363**	**0.2%**	**0.1%**	**0.3%**	

Estimates of Customer Error Overpayments Across all Benefits in 2015

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	989,773,652	–	–	–	–	–	–	Jan 08–Dec 08 updated
Employment and Support Allowance	796,194,114	2,882,277	1,407,742	4,577,749	0.4%	0.2%	0.6%	Jan 15–Dec 15
Incapacity Benefit	–	–	–	–	1.0%	0.0%	2.9%	Jan 09–Dec 09 updated
Income Support	161,596,096	708,786	–	1,732,479	0.4%	0.0%	1.1%	Jan 12–Dec 12 updated
Jobseeker's Allowance	152,014,282	98,284	–	287,908	0.1%	0.0%	0.2%	Jan 15–Dec 15
State Pension	2,122,961,315	–	–	–	–	–	–	Jan 09–Dec 09 updated
State Pension Credit	289,462,889	1,249,539	461,156	2,234,372	0.4%	0.2%	0.8%	Jan 15–Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	81,193	–	414,505	0.1%	0.0%	0.3%	Jan 10–Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Incapacity Benefit	–878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Security Benefits	5,081,640,214	5,020,078	3,145,248	7,264,966	0.1%	0.1%	0.1%	
Housing Benefit Tenants	666,441,937	1,959,918	454,286	4,189,948	0.3%	0.1%	0.6%	Jan 15–Dec 15
Housing Benefit Owner Occupier	41,493,183	1,703,178	1,147,689	2,286,992	4.1%	2.8%	5.5%	Jan 15–Dec 15
Housing Benefit	707,935,120	3,663,096	–	–	0.5%	–		
Total	**5,789,575,334**	**8,683,174**	**6,215,284**	**11,900,843**	**0.1%**	**0.1%**	**0.2%**	

Customer Fraud - Overpayments

Customer Fraud occurs where the basic conditions of entitlement have not been met, where the customer could reasonably be expected to be aware of the effect on entitlement to benefit and the customer has deliberately not reported relevant information. The table below sets out the estimate of Customer Fraud in 2016. Estimates of Customer Fraud in 2015 are also shown for comparative purposes.

Estimates of Customer Fraud Overpayments Across all Benefits in 2016

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	1,026,272,247	–	–	–	–	–	–	Jan 08–Dec 08 updated
Employment and Support Allowance	840,829,736	14,047,195	8,943,468	19,770,558	1.7%	1.1%	2.4%	Jan 16–Dec 16
Incapacity Benefit	–	–	–	–	2.2%	0.0%	5.4%	Jan 09–Dec 09 updated
Income Support	152,555,530	1,111,257	–	2,756,836	0.7%	0.0%	1.8%	Jan 12–Dec 12 updated
Jobseeker's Allowance	125,279,056	4,082,770	2,236,277	6,110,151	3.3%	1.8%	4.9%	Jan 16–Dec 16
State Pension	2,202,006,855	–	–	–	–	–	–	Jan 09–Dec 09 updated
State Pension Credit	270,943,201	7,133,653	4,626,425	10,031,889	2.6%	1.7%	3.7%	Jan 16–Dec 16
Attendance Allowance	201,153,545	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,614,818	606,646	332,281	907,888	3.3%	1.8%	4.9%	Proxied using JSA
Carer's Allowance	154,862,686	1,864,688	–	5,719,243	1.2%	0.0%	3.7%	Jan 10–Dec 10 updated
Industrial Injuries Disablement Benefit	29,657,146	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,766,068	213,274	135,786	300,170	1.7%	1.1%	2.4%	Proxied using ESA
Social Fund	80,863,227	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,323,868	43,144	23,632	64,568	3.3%	1.8%	4.9%	Proxied using JSA
Incapacity Benefit v2 (5)	–739,901	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Personal Independence Payments	5,382,835	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Expenditure (Non-NIF)	66,621,041	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Christmas Bonus (Contributory Only)	3,521,507	19,753	15,106	25,137	0.6%	0.4%	0.7%	Proxy Exercise
Social Security Benefits	5,191,913,465	29,122,381	22,276,710	37,055,302	0.6%	0.4%	0.7%	
Housing Benefit Tenants	664,616,389	20,040,858	12,108,186	29,072,007	3.0%	1.8%	4.4%	Jan 16–Dec 16
Housing Benefit Owner Occupier	39,064,270	2,514,891	1,742,216	3,367,143	6.4%	4.5%	8.6%	Jan 16–Dec 16
Housing Benefit	703,680,659	22,555,749	–	–	3.2%			
Total	5,895,594,124	51,678,129	41,171,583	63,728,823	0.9%	0.7%	1.1%	

Estimates of Customer Fraud Overpayments Across all Benefits in 2015

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	989,773,652	–	–	–	–	–	–	Jan 08–Dec 08 updated
Employment and Support Allowance	796,194,114	13,546,013	9,135,756	18,264,430	1.7%	1.1%	2.3%	Jan 15–Dec 15
Incapacity Benefit	–	–	–	–	2.2%	0.0%	5.4%	Jan 09–Dec 09 updated
Income Support	161,596,096	1,177,111	–	2,920,208	0.7%	0.0%	1.8%	Jan 12–Dec 12 updated
Jobseeker's Allowance	152,014,282	5,814,674	3,521,926	8,316,136	3.8%	2.3%	5.5%	Jan 15–Dec 15
State Pension	2,122,961,315	–	–	–	–	–	–	Jan 09–Dec 09 updated
State Pension Credit	289,462,889	5,967,835	3,651,107	8,739,232	2.1%	1.3%	3.0%	Jan 15–Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	1,781,433	–	5,463,888	1.2%	0.0%	3.7%	Jan 10–Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Incapacity Benefit	–878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Security Benefits	5,081,640,214	28,287,065	21,920,673	35,553,445	0.6%	0.4%	0.7%	
Housing Benefit Tenants	666,441,937	14,311,278	7,685,906	21,925,401	2.1%	1.2%	3.3%	Jan 15–Dec 15
Housing Benefit Owner Occupier	41,493,183	2,463,632	1,660,428	3,374,941	5.9%	4.0%	8.1%	Jan 15–Dec 15
Housing Benefit	707,935,120	16,774,910	–	–	2.4%	–		
Total	5,789,575,334	45,061,975	35,838,547	55,626,332	0.8%	0.6%	1.0%	

B: Strategies to Reduce Social Security Benefit Fraud and Error

The Department for Communities administers 33 benefits equating to a total benefit spend of £5,192 million.

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

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

Clear evidence, derived from the Department's performance in significantly reducing the levels of social security benefit fraud and error, demonstrate the Department's long term strategies are working. Over the longer term estimated overpayments have decreased from 2.2% (£70.7 million) of benefit expenditure in 2003–04 to just 1% (£51.5 million) in 2016. Performance on overpayments has been sustained at between at 1.0% or below for the last 6 consecutive years with social security benefit expenditure over the same period increasing from £4.5 billion to almost £5.2 billion.

Current and proposed activities are designed to be proportionate, represent value for money with regard to the cost of control, facilitate customer accessibility, ensure timely benefit payments, and deliver impacts on fraud and error. The Department also seeks to reduce customer mistakes by influencing customer behaviour to report changes promptly where failure to do so may lead to over and underpayments.

[1] A new methodology for calculating the annual estimates of fraud and error was implemented in 2008. Accordingly caution should be taken when comparing the estimates with previous years

Fraud and Error Reduction Board

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

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

Official Error Strategy and Activities

For 2016, losses from official error (excluding housing benefit) dropped from 0.4% in 2015 to 0.3% of benefit expenditure in 2016. Error Reduction Division allocates funds to Error Reduction Teams located in the Regions and Central Benefits for the specific purpose of reducing staff error and ensuring strong levels of accuracy. Funding is allocated on the basis of risk and takes into consideration the monetary value of error in each benefit alongside factors such as the deployment of resources and priorities within the Department.

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

During 2015–16, error reduction activity amounted to 67,600 actions. This led to the adjustment of benefit in over 8,300 cases, with a total monetary value of over £21.6 million.

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

Customer Fraud and Error

Single Investigation Service

The integrated Single Investigation Service was established in April 2013 to form a single, more cohesive organisation to tackle customer fraud and error. Using information from diverse sources, the Department identifies and focuses on threats posing greatest risk. Cases are managed through three approaches – customer compliance, case intervention and criminal fraud investigation, to detect and correct fraud and error and apply penalties where appropriate to deter further abuse.

The approach is working as during 2016, loss through customer fraud and customer error (excluding housing benefit) remained at only 0.7% of benefit expenditure; to 2015 levels.

Criminal Investigation: During 2016–17, 4,138 fraud investigations were undertaken leading to 853 penalties or convictions. In 2016–17 the monetary value of adjustments arising from the discovery of fraud was estimated to be £9.0 million.

Customer Compliance interviews have continued to generate very positive outcomes in the correction and prevention of customer error. In the past year (2016–17) Customer Compliance Officers within Single Investigation Service (SIS) carried out 3,749 Compliance Interviews resulting in changes in 28% of cases and led to over £5.0 million in benefit adjustments. This in turn freed up investigators to focus on high risk fraud cases and to maximise results from criminal investigations.

Case Intervention involves contacting customers by phone or post to establish whether the circumstances of the benefit claim have changed and if necessary making correction. The Single Investigation Service undertook 4,801 case interventions achieving a 20% change rate with 944 adjustments. The estimated monetary value of adjustments in these cases equated to £3.2 million.

Financial Investigation Unit: For higher value fraud convictions, Debt Management's Financial Investigation Unit (FIU) uses powers granted under the Proceeds of Crime Act 2002 to recover assets. The table below presents the results of the FIU for 1 April 2016 to 31 March 2017.

Confiscation order recoveries	£211k
Voluntary payments	£196k
Total recovery	**£406k**

 # Total may not equal sum of figures due to rounding.

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

	NFI 2008	NFI 2010	NFI 2012	NFI 2012B
Referred For Criminal Investigation	1,238	486	1,274	275
Convictions	174	58	31	5
Administrative Penalty	35	24	11	1
Overpayments identified	£6.0m	£1.5m	£1.3m	£175k

Real Time Information Initiatives

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

Initial findings show this new referral source is a potentially significant step in the Department's drive for continual improvement and maintaining low levels of customer fraud and error. The Department has proactively engaged with DWP colleagues to confirm arrangements for the continuation of the initiative through 2016–17 and beyond, until wider use of Real Time Information is fully rolled out to benefit offices assessing fresh claims.

The Department is working with the Department for Work and Pensions (DWP) colleagues to rollout Wider use of RTI (WuRTI), this is aimed at expanding the use of data across the Department, to enhance the targeting of fraud and error in real time. Initial activity is focused on State Pension Credit where WuRTI went live in January 2017. Plans to extend RTI to Housing Benefit, Carers Allowance, Employment Support Allowance, Jobseekers Allowance and other benefit areas are being explored in conjunction with DWP. The rollout of WuRTI provides the Department with the ability to detect undeclared earnings or non state pension income at the point of claim and to ensure the claim is correct before it is put into payment.

Future Single Investigation Service Strategy

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

Principally these initiatives are:

- **Joined up working** – closer liaison and joint working with Her Majesty's Revenue and Customs, the NI Housing Executive and others to enable joint prosecutions of customers who abuse the benefit system while also involved in wider criminality.
- **Targeting** – continued development, alongside DWP, of the use of new data sources including RTI, to enhance future fraud prevention and detection capability, with particular focus at the gateway – the point of entry to a benefit claim in preparation for the introduction of Universal Credit.
- **Deterrence** – legislative measures contained within the Welfare Reform Bill to prevent and deter those intent on committing fraud including increased penalties and tougher loss of benefit provisions (effective from 26 September 2016).
- **Communication** – continuing to remind staff and the wider public of the need to remain vigilant and to report suspected fraud.

The Department continues to develop relationships with counter fraud partners including cooperation with the Department of Social Protection to make further inroads into cross jurisdictional customer fraud with the purpose of protecting each other's social welfare programmes.

Strategic responsibility for housing benefit fraud and error moved to the Department with effect from 1 April 2017. Work on transferring operational responsibility to the Department's benefit security division is well underway, with the aim of having effective and functioning counter fraud/error operations embedded during the course of 2017. This should provide for greater integration and consistency of approach from fraud and error activity including housing benefit.

C: Underpayments

Benefit Underpayments

The table below shows the Department's total estimates of benefit underpayments for the last two years, 2016 and 2015 (all social security benefits including Housing Benefit).

Overall the figure for estimated amounts of underpayments is £30.2m, or 0.5% of expenditure in 2016 compared to £29.6 million (0.5%) in 2015. This comparison does not take account of the change in methodology and the use of proxy elements in 2016.

Estimates of underpayments across all benefits for 2016 and 2015

2016 Error Category	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	5,895,594,124	19,749,128	15,008,585	26,431,295	0.3%	0.3%	0.4%
Customer Error	5,895,594,124	10,484,622	2,497,706	22,812,069	0.2%	0.0%	0.4%
Total Underpayments	**5,895,594,124**	**30,233,750**	**20,945,931**	**44,255,779**	**0.5%**	**0.4%**	**0.8%**

2015 Error Category	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	5,789,575,334	18,503,407	14,509,423	23,518,771	0.3%	0.3%	0.4%
Customer Error	5,789,575,334	11,105,236	3,301,819	23,018,244	0.2%	0.1%	0.4%
Total Underpayments	**5,789,575,334**	**29,608,642**	**20,842,502**	**42,534,340**	**0.5%**	**0.4%**	**0.7%**

The Department monitors and estimates the level of underpayments arising from Official and Customer Error. Identifying those cases not receiving their full entitlement and correcting benefit payments is an integral part of the Department's strategy which gives equal priority to identifying and correcting underpayments and overpayments.

Official Error – Underpayments

The table below sets out the estimate of benefit underpayments due to Official Error in 2016. Estimates for 2015 are also shown for comparative purposes.

Estimates of Official Error Underpayments Across all Benefits in 2016

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	1,026,272,247	418,115	–	2,126,948	0.0%	0.0%	0.2%	Jan 15–Dec 15 updated
Employment and Support Allowance	840,829,736	10,040,503	6,500,447	14,208,995	1.2%	0.8%	1.7%	Jan 16–Dec 16
Incapacity Benefit	–	–	–	–	0.5%	–	1.1%	Jan 11–Dec 11 updated
Income Support	152,555,530	328,325	46,298	792,269	0.2%	0.0%	0.5%	Jan 16–Dec 16
Jobseeker's Allowance	125,279,056	71,939	4,820	171,375	0.1%	0.0%	0.1%	Jan 16–Dec 16
State Pension	2,202,006,855	2,750,756	525,896	6,710,660	0.1%	0.0%	0.3%	Jan 16–Dec 16
State Pension Credit	270,943,201	1,654,050	742,439	2,804,436	0.6%	0.3%	1.0%	Jan 16–Dec 16
Attendance Allowance	201,153,545	397,733	–	2,049,517	0.2%	0.0%	1.0%	Jan 14–Dec 14 updated
Bereavement Benefit	18,614,818	63,309	–	268,672	0.3%	0.0%	1.4%	Jan 14–Dec 14 updated
Carer's Allowance	154,862,686	–	–	–	–	–	–	Jan 14–Dec 14 updated
Industrial Injuries Disablement Benefit	29,657,146	61,894	–	339,060	0.2%	0.0%	1.1%	Jan 14–Dec 14 updated
Maternity Allowance	12,766,068	24,572	–	101,095	0.2%	0.0%	0.8%	Jan 14–Dec 14 updated
Social Fund	80,863,227	182,254	8,685	553,752	0.2%	0.0%	0.7%	Joint Exercise
Widow's Benefit	1,323,868	23,940	–	80,704	1.8%	0.0%	6.1%	Jan 12–Dec 12 updated
Incapacity Benefit v2 (5)	–739,901	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Personal Independence Payments	5,382,835	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Expenditure (Non-NIF)	66,621,041	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Christmas Bonus (Contributory Only)	3,521,507	10,871	7,852	15,192	0.3%	0.2%	0.4%	Proxy Exercise

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Exercise
Social Security Benefits	5,191,913,465	16,028,262	11,579,154	22,393,816	0.3%	0.2%	0.4%	
Housing Benefit Tenants	664,616,389	3,393,554	1,769,372	5,409,241	0.5%	0.3%	0.8%	Jan 16–Dec 16
Housing Benefit Owner Occupier	39,064,270	327,313	126,749	588,214	0.8%	0.3%	1.5%	Jan 16–Dec 16
Housing Benefit	703,680,659	3,720,867	–	–	0.5%	–	–	
Total	5,895,594,124	19,749,128	15,008,585	26,431,295	0.3%	0.3%	0.4%	

Estimates of Official Error Underpayments Across all Benefits in 2015

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	989,773,652	403,245	–	1,227,275	0.0%	0.0%	0.1%	Jan 15–Dec 15
Employment and Support Allowance	796,194,114	5,545,098	3,076,185	8,367,753	0.7%	0.4%	1.1%	Jan 15–Dec 15
Incapacity Benefit	–	–	–	–	0.5%	0.0%	1.1%	Jan 11–Dec 11 updated
Income Support	161,596,096	1,146,109	315,795	2,252,261	0.7%	0.2%	1.4%	Jan 15–Dec 15
Jobseeker's Allowance	152,014,282	851,176	287,226	1,536,441	0.6%	0.2%	1.0%	Jan 15–Dec 15
State Pension	2,122,961,315	2,452,221	739,267	4,661,947	0.1%	0.0%	0.2%	Jan 15–Dec 15
State Pension Credit	289,462,889	3,271,397	1,748,002	5,003,515	1.1%	0.6%	1.7%	Jan 15–Dec 15
Attendance Allowance	203,676,347	402,721	–	2,075,221	0.2%	0.0%	1.0%	Jan 14–Dec 14 updated
Bereavement Benefit	18,804,160	63,953	–	271,404	0.3%	0.0%	1.4%	Jan 14–Dec 14 updated
Carer's Allowance	147,948,299	–	–	–	0.0%	0.0%	0.0%	Jan 14–Dec 14 updated
Industrial Injuries Disablement Benefit	30,072,954	62,761	–	343,813	0.2%	0.0%	1.1%	Jan 14–Dec 14 updated
Maternity Allowance	12,145,695	23,378	–	96,183	0.2%	0.0%	0.8%	Jan 14–Dec 14 updated
Social Fund	84,633,632	349,712	35,068	962,684	0.4%	0.0%	1.1%	See note
Widow's Benefit	1,484,804	26,850	–	90,515	1.8%	0.0%	6.1%	Jan 12–Dec 12 updated
Incapacity Benefit	–878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Security Benefits	5,081,640,214	14,598,622	10,951,086	19,238,348	0.3%	0.2%	0.4%	Social Security Benefits
Housing Benefit Tenants	666,441,937	3,647,772	2,031,070	5,535,511	0.5%	0.3%	0.8%	Jan 15–Dec 15
Housing Benefit Owner Occupier	41,493,183	257,012	73,554	508,532	0.6%	0.2%	1.2%	Jan 15–Dec 15
Housing Benefit	707,935,120	3,904,784	–	–	0.6%	–	–	
Total	**5,789,575,334**	**18,503,407**	**14,509,423**	**23,518,771**	**0.3%**	**0.3%**	**0.4%**	

Customer Error – Underpayments

The table below sets out the estimate of benefit underpayments due to Customer Error in 2016. Estimates of underpayments for Customer Error in 2015 are also shown for comparative purposes.

Estimates of Customer Error Underpayments Across all Benefits in 2016

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	1,026,272,247	–	–	–	–	–	–	Jan 08–Dec 08 updated
Employment and Support Allowance	840,829,736	1,969,171	671,835	3,536,509	0.2%	0.1%	0.4%	Jan 16–Dec 16
Incapacity Benefit	–	–	–	–	–	–	–	Jan 09–Dec 09 updated
Income Support	152,555,530	109,257	–	563,201	0.1%	0.0%	0.4%	Jan 12–Dec 12 updated
Jobseeker's Allowance	125,279,056	239,153	5,423	605,958	0.2%	0.0%	0.5%	Jan 16–Dec 16
State Pension	2,202,006,855	4,084,989	–	16,025,589	0.2%	0.0%	0.7%	Jan 09–Dec 09 updated
State Pension Credit	270,943,201	1,254,047	339,471	2,424,071	0.5%	0.1%	0.9%	Jan 16–Dec 16
Attendance Allowance	201,153,545	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,614,818	35,535	806	90,037	0.2%	0.0%	0.5%	Proxied using JSA
Carer's Allowance	154,862,686	–	–	–	0.0%	0.0%	0.0%	Jan 10–Dec 10 updated
Industrial Injuries Disablement Benefit	29,657,146	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,766,068	29,897	10,200	53,694	0.2%	0.1%	0.4%	Proxied using ESA
Social Fund	80,863,227	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,323,868	2,527	57	6,403	0.2%	0.0%	0.5%	Proxied using JSA
Incapacity Benefit v2 (5)	(739,901)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Personal Independence Payments	5,382,835	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Expenditure (Non–NIF)	66,621,041	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Christmas Bonus (Contributory Only)	3,521,507	5,243	–	13,465	0.1%	0.0%	0.4%	Proxy Exercise
Social Security Benefits	5,191,913,465	7,729,821	0	19,843,765	0.1%	0.0%	0.4%	Social Security Benefits

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Housing Benefit Tenants	664,616,389	2,531,492	945,319	4,809,912	0.4%	0.1%	0.7%	Jan 16– Dec 16
Housing Benefit Owner Occupier	39,064,270	223,309	84,907	387,936	0.6%	0.2%	1.0%	Jan 16– Dec 16
Housing Benefit	703,680,659	2,754,801	–	–	0.4%	–		
Total	**5,895,594,124**	**10,484,622**	**2,497,706**	**22,812,069**	**0.2%**	**0.0%**	**0.4%**	

Estimates of Customer Error Underpayments Across all Benefits in 2015

Benefit	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	989,773,652	–	–	–	–	–	–	Jan 08–Dec 08 updated
Employment and Support Allowance	796,194,114	4,637,779	2,403,294	7,250,645	0.6%	0.3%	0.9%	Jan 15–Dec 15
Incapacity Benefit	–	–	–	–	0.0%	0.0%	0.0%	Jan 09–Dec 09 updated
Income Support	161,596,096	115,732	–	596,576	0.1%	0.0%	0.4%	Jan 12–Dec 12 updated
Jobseeker's Allowance	152,014,282	–	–	–	0.0%	0.0%	0.0%	Jan 15–Dec 15
State Pension	2,122,961,315	3,938,350	–	15,450,318	0.2%	0.0%	0.7%	Jan 09–Dec 09 updated
State Pension Credit	289,462,889	1,378,309	358,482	2,719,838	0.5%	0.1%	0.9%	Jan 15–Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	–	–	–	–	–	–	Jan 10–Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Incapacity Benefit	–878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Security Benefits	5,081,640,214	10,070,170	2,286,544	21,960,644	0.2%	0.0%	0.4%	
Housing Benefit Tenants	666,441,937	745,336	216,956	1,449,856	0.1%	0.0%	0.2%	Jan 15–Dec 15
Housing Benefit Owner Occupier	41,493,183	289,730	118,618	489,856	0.7%	0.3%	1.2%	Jan 15–Dec 15
Housing Benefit	707,935,120	1,035,066	–	–	0.1%	–	–	
Total	**5,789,575,334**	**11,105,236**	**3,301,819**	**23,018,244**	**0.2%**	**0.1%**	**0.4%**	

D: Disability Living Allowance (DLA) – 'Change in Customers' Circumstances' Cases

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

The difference between what claimants in these 'change in customers' circumstances' cases are receiving in excess of DLA entitlement and what they would potentially receive if their benefit was reassessed was estimated to be around £38.0 million, 5.7% of DLA expenditure in 2008. Since there was no DLA Benefit Review in 2016, the 2016 estimate for DLA 'change in customer circumstances' overpayments is estimated by applying the 2008 percentage. The 2016 estimate is £58.2 million, 5.7% of expenditure. In comparison the 2015 estimate was £56.1 million, 5.7% of expenditure. These figures are not included in the total figures in the respective tables above.

The difference between what claimants in the DLA 'change in customers' circumstances' cases are receiving below their DLA entitlement and what they would potentially have been due to receive if their benefit was reassessed was estimated to be £19.4 million, 2.9% of expenditure in 2008. Since there was no DLA Benefit Review in 2016, the 2016 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. The 2016 estimate is £29.7 million, 2.9% of expenditure. In comparison the 2015 estimate was £28.6 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

With the introduction of Personal Independence Payment in June 2016 the Department concluded its Periodic Enquiry process. To clear the residual cases, the Department in 2016–17 examined 258 cases resulting in 45 adjustments and a monetary value adjustment of £278k.

24. Entities within the departmental boundary

The entities within the boundary during 2016–17 were as follows:

Independent Statutory Bodies

Office of the Social Fund Commissioner

Office of the Discretionary Support Commissioner

Certain elements of the Social Fund ceased in November 2016 and Discretionary Support Loans and grants were introduced. The Office of the Social Fund Commissioner continued to operate for 2–3 months after November to handle any outstanding reviews.

From November a new independent review office came into operation for reviews in relation to Discretionary support, known as the Office of the Discretionary Support Commissioner.

Advisory Non-Departmental Public Bodies

Historic Monuments Council

Historic Buildings Council

25. Third-Party Assets

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

The Client Funds Account is attached to these accounts at Annex A.

26. Events after the Reporting Period

There were no adjusting or non-adjusting events between the end of the reporting period and the date the financial statements were authorised for issue.

The Accounting Officer authorised the issue of these financial statements on 29 June 2017.

Part 5

Report of the Comptroller and Auditor General

Introduction

1.1 The Department for Communities (the Department) came into existence on 9 May 2016 as a result of the Stormont House Agreement. The Department has responsibility for housing, urban regeneration, community development, social security and child support. These functions where previously the responsibly of its predecessor department, the Department for Social Development.

Fraud and error in benefit expenditure (Part 2)

1.2 In 2016–17 expenditure on benefits was £5,896 million. The Department's estimate of the overall level of overpayments in 2016–17 was 1.5 per cent of total annual benefit expenditure (2015–16: 1.4 per cent). The Department's estimate of the overall level of under payments in 2016–17 was 0.5 per cent (2015–16: 0.5 per cent). A total of £5,192 million was paid directly by the Department to social security benefit claimants. The remaining £704 million was paid to the Northern Ireland Housing Executive (NIHE) and Land and Property Services (LPS) to administer Housing Benefit on behalf of the Department.

1.3 Payments to social security benefit claimants (£5,192 million) represent 88 per cent of total benefit expenditure. The estimated level of overpayments for this expenditure was 1.0 per cent of total benefit spend – consistent with the preceding two years 2014–15 and 2015–16. The level of underpayments remained consistent with 2015 at 0.5 per cent.

1.4 The NIHE was responsible for the payment of £665 million to claimants of Housing Benefit. This accounted for 11 per cent of total benefit expenditure and is included within the NIHE's accounts and the Department's accounts. The estimated level of overpayments due to fraud and error within this expenditure has increased from 2.9 per cent in 2015–16 to 4.3 percent in 2016–17. The estimated level of underpayments due to official error has remained at 0.5 per cent in 2016–17. I considered this to be material and my regularity audit opinion was qualified on NIHE's accounts in respect of Housing Benefit expenditure. I have included this matter in my report on NIHE's 2016–17 accounts.

1.5 The remaining one percent of benefit expenditure was administered on the Department's behalf by LPS and is included in the LPS Statement of Rate Levy Account. This comprised £39 million in Housing Benefit paid to claimants who own their home and who are entitled to apply for a rates rebate if they have low income and are suffering financial hardship. There is estimated to be a substantial amount of overpayments due to fraud and error within these payments amounting to 14.4 per cent in 2016–17 (compared to 18.6 per cent in 2015–16). The estimated level of underpayments due to official error has increased to 0.8 per cent in 2016–17 from 0.6 per cent in 2015–16. My regularity audit opinion was qualified in the 2015–16[1] Statement of Rate Levy Account in respect of Housing Benefit expenditure.

[1] The 2016–17 Statement of Rate Levy Account will not be certified until after the Summer Recess.

1.6 Fraud and error remains a significant problem in the administration of benefit expenditure. The Department continues to face the challenge of administering a changing and complex benefits system in a way which is both cost effective and ensures maximum accuracy in delivering the correct level of benefits to those entitled to receive them. Overpayments arising from fraud and error increase costs for taxpayers and reduce public resources available for other purposes. Underpayments mean households are not getting the support they are entitled to.

1.7 Benefit payments are susceptible to both deliberate fraud and unintended error by claimants and the Department, and entitlement is based on a range of eligibility criteria; it relies on claimants' accurate and timely notification of changes of circumstances; and the complexity of benefits can cause confusion and genuine error. Some benefits, mainly those with means-tested entitlements, are more susceptible to fraud and error due to their complexity.

1.8 The Department analyses over and underpayments of benefits into the following categories:

- Fraud, which arises when customers deliberately seek to mislead the Department, or organisations which administer benefits on the Department's behalf, to claim money to which they are not entitled;
- Official error, which arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department or organisation administering the benefit. Official error can result in both over and underpayments; and
- Customer error, which arises when customers make inadvertent mistakes with no fraudulent intent.

1.9 All overpayments are considered irregular. Underpayments due to customer error are not considered irregular; only underpayments arising from official error are considered irregular. State Pension expenditure which was £2.2 billion in 2016–17 (2015–16: £2.1 billion) is excluded from the irregularity qualification, see paragraph 2.9.

Other Reporting Matters (Part 3)

1.10 I have provided an update in part 3 of this report on a Housing Association issue I raised in my report on the 2015–16 Department for Social Development Resource Accounts.

Part 2: Qualification of the Comptroller and Auditor General's audit opinion on the regularity of benefit expenditure

2.1 I am required under the Government Resources and Accounts Act (Northern Ireland) 2001 to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.

2.2 The criteria used to determine entitlement to each benefit, and the method to be used to calculate the amount due to be paid, are set out in legislation. Where fraud or error has resulted in an over or underpayment of benefit to an individual who is either not entitled to that benefit, or is paid at a rate which differs from that specified in the legislation, these payments made are not in conformity with the governing legislation.

2.3 In respect of the 2016-17 financial statements of the Department for Communities, I have qualified my opinion on regularity due to the material level of fraud and error in benefit expenditure, other than the State Pension. This qualification extends to the benefits administered on the Department's behalf by NIHE and LPS (see paragraphs 2.12 to 2.23).

2.4 Since before the turn of the century, the accounts of predecessor departments administering benefit expenditure have received similar qualified audit opinions. Issuing an audit qualification is a serious matter, and the fact that similar qualifications have been in place for such a long period of time does not lesson that seriousness. I consider that the overall value of fraud and error in benefit expenditure remains unacceptably high, and the qualification of my audit opinion reflects that.

Estimated level of fraud and error in benefit expenditure

2.5 The level of fraud and error should be viewed in the context of the total expenditure on benefits over the same period – see **figure 1**.

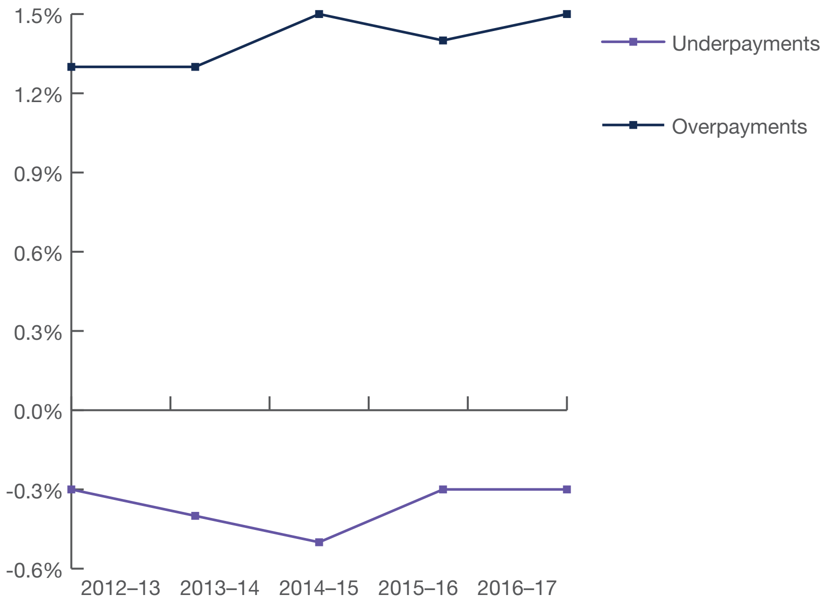
Figure 1: Benefit expenditure since 2012–13

	2012–13	2013–14	2014–15	2015–16	2016–17
Benefit expenditire	£5,335,000	£5,512,000	£5,670,000	£5,790,000	£5,896,000

Source: *Department for Communities financial statements, 2012–13 to 2016–17.*

2.6 In note 23 to the accounts the Department reports its estimate that total overpayments due to fraud and error[2] in 2016–17 were 1.5 per cent of total benefit expenditure (2015–16: 1.4 per cent). The Department estimates that total underpayments due to official error in 2016–17 remained at 0.3 per cent of total benefit expenditure (2015–16: 0.3 per cent). This equates to overpayments of £87.7 million (2015–16: £78.8 million) and underpayments of benefits due to official error of £19.7 million (2015–16: £18.5 million). It is these gross values that lead to my qualified regularity opinion. See **figure 2** and **figure 3**.

Figure 2: Estimated incorrect benefit payments as a percentage of total benefit expenditure.

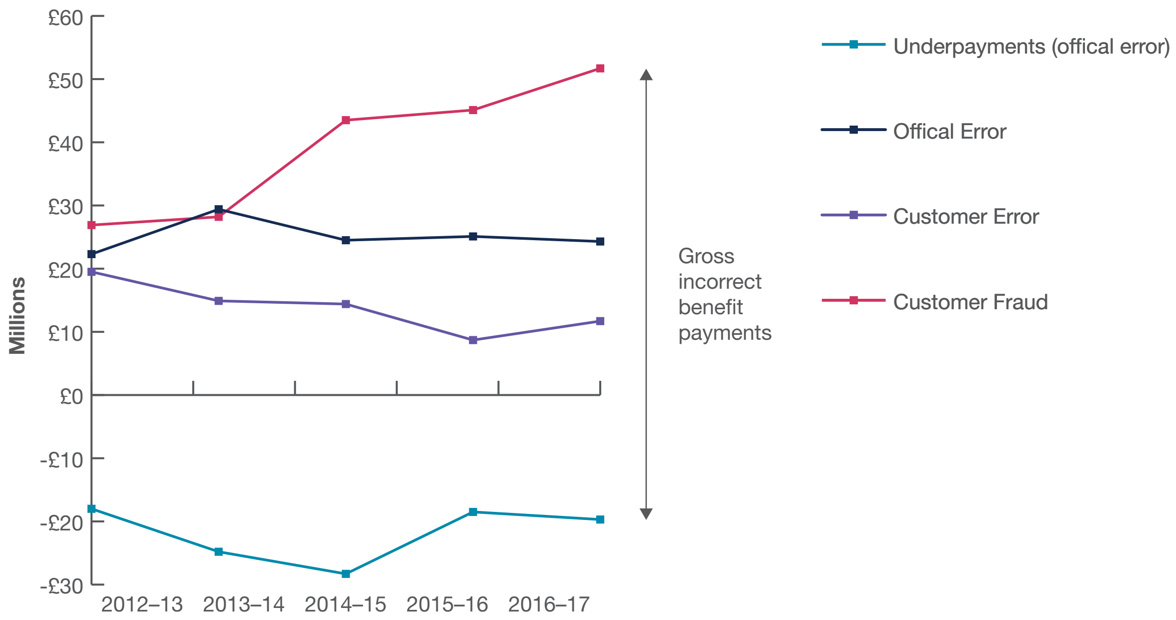


	2012–13	2013–14	2014–15	2015–16	2016–17
Overpayments	1.3%	1.3%	1.5%	1.4%	1.5%
Underpayments	0.3%	0.4%	0.5%	0.3%	0.3%

Source: *Department for Communities financial statements, 2012–13 to 2016–17*

[2] Fraud and error figures quoted in this report are central estimates (or 'mid-points') within a 95% confidence interval. This range reflects the uncertainty within the Fraud and Error in the benefits system estimates.

Figure 3: Estimated over and underpayments of benefit by cause[3]



	2012–13 £ milliions	2013–14 £ milliions	2014–15 £ milliions	2015–16 £ milliions	2016–17 £ milliions
Offical Error	22.3 (0.4%)	29.4 (0.5%)	24.5 (0.4%)	25.1 (0.4%)	24.3 (0.4%)
Customer Error	19.5 (0.4%)	14.9 (0.3%)	14.4 (0.3%)	8.7 (0.1%)	11.7 (0.2%)
Customer Fraud	26.9 (0.5%)	28.2 (0.5%)	43.5 (0.8%)	45.1 (0.8%)	51.7 (0.9%)
Underpayments (offical error)	-18.0 (0.3%)	-24.8 (0.5%)	-28.3 (0.5%)	-18.5 (0.3%)	-19.7 (0.3%)

Source: *Department for Communities financial statements, 2012–13 to 2016–17*

2.7 The Department told me that for 2016–17, the level of overpayments within social security benefits had been sustained at 1.0 per cent of total benefit expenditure for the third year in a row. In 2016–17, however, the level of overpayments in Housing Benefit increased to 4.3 per cent from 2.9 per cent in 2015–16, due to a rise in the level of both customer fraud and customer error. As a result, the overall level of overpayments for the Department has increased to 1.5 per cent of total benefit expenditure from 1.4 per cent in 2015–16.

[3] These figures include over and underpayments relating to state pension. State pension is excluded from the regularity qualification. Underpayments relate to official error only.

2.8 The Department's performance in relation to underpayments due to official error for social security benefits has remained consistent at 0.3 per cent. The Department told me there were minor fluctuations between benefits but overall it had retained its levels of benefit underpayments due to preventing and detecting staff error. The Department told me it will continue to review its strategies to improve accuracy and strive for continual improvement where possible.

State Pension Benefit

2.9 In 2016–17 State Pension expenditure amounted to £2.2 billion; 37 per cent of the Department's total annual benefit spend – see **figure 4**. The Department has found no evidence of fraud within State Pension payments and the estimated level of error within State Pension is not significant. For State Pension expenditure, the Department estimates that the level of overpayments decreased to £0.7 million (0.0 per cent of related expenditure) from £3.5 million (0.2 per cent of related expenditure) in 2015–16. State Pension underpayments increased in monetary terms to £2.7 million from £2.5 million although remained consistent at 0.1 per cent of related expenditure for both years. These amounts are not significant in the context of the £2.2 billion spend on State Pension. I have therefore not qualified my audit opinion on State Pension expenditure.

Figure 4: Estimated overpayments and underpayments within state pension compared with all other benefits.

	State Pension £ million	All other benefits £ million	Total £ million
Expenditure	2,202.0	3,696.6	5,895.6
Overpayments	0.7 (0.0%)	87.0 (2.4%)	87.7 (1.5%)
Underpayments	2.7 (0.1%)	17.0 (0.5%)	19.7 (0.3%)

Source: *Department for Communities financial statements, 2016–17*

2.10 The Department told me that the high degree of accuracy in the administration of State Pension continues with the level of overpayments decreasing in 2016–17 to 0.0 per cent of benefit expenditure (2015–16: 0.2 per cent) and the level of underpayment remaining consistent at 0.1 per cent of expenditure. The sustained high level of accuracy within a significant area of benefit expenditure has contributed to the exclusion of State Pension from my audit regularity qualification for the last nine years.

2.11 Paragraphs 2.12 to 2.23 of this report set out the reasons and context for my qualified audit opinion: the trends; reasons behind fraud and error; and actions to reduce fraud and error.

Fraud and error measurement

2.12 The Department's Standards Assurance Unit (SAU) regularly monitors and provides estimates of levels of fraud and error within the benefits processed by the Department, NIHE and LPS as outlined in Note 23 to the financial statements. In order to facilitate the timetable for the production of the financial statements, the Department's testing on payment accuracy is reported on a calendar year basis, not on a financial year basis. I am satisfied that this approach is reasonable and that the results produced by the SAU are a reliable estimate of the total fraud and error in the benefit system.

2.13 Means-tested benefits such as State Pension Credit, Income Support, Jobseeker's Allowance and Employment and Support Allowance tend to have the highest rates of customer fraud and error as they require the customer to provide complete and accurate information in order to establish entitlement to benefit. The Department has in the past told me that one of the main reasons for customer error is the complexity of, and lack of understanding, of the benefit system by the customer.

2.14 Customer fraud is estimated to have increased by £6.6 million to £51.7 million; customer fraud is now at its highest reported level. The Department told me that the level of customer fraud in social security benefit expenditure remained consistent in 2016–17 at 0.6 per cent. The level of customer fraud in Housing Benefit has increased however from 2.1 per cent to 3.0 per cent. This is mainly due to cases being detected with undeclared earnings and other income. Responsibility for the levels of fraud and error in Housing Benefit transferred to the Department in 2017. This should provide for greater consistency in targeting and reducing the level of fraud across benefits and the prioritisation of resources towards those benefits at greater risk such as Housing Benefit.

2.15 It is disappointing to note the significant reduction in customer error reported in 2015–16 (£5.7 million) has been partially offset by an increase of £3.0 million in 2016–17 – see figure 3. The Department told me this occurred because of more cases being detected in Housing Benefit and State Pension Credit where mistakes had resulted in income, such as earnings or occupational pension, not being properly taken into account. The Department further advised me this is an area where resources have been, and will continue to be prioritised and in proportion to the 0.1% increase, and within the wider context of total loss through customer error representing just 0.2% of all benefit expenditure.

2.16 Official errors are those that are attributed as being the fault of the Department. These errors can take time to identify and correct and as a result, their cumulative impact on resource and efficiency can be considerable. The main reasons for official errors continue to be:

- incorrect recording of a customer's income;
- incorrect application of complex benefit rates; and
- errors in establishing the customer's status (for example their fitness for work, or living arrangements etc).

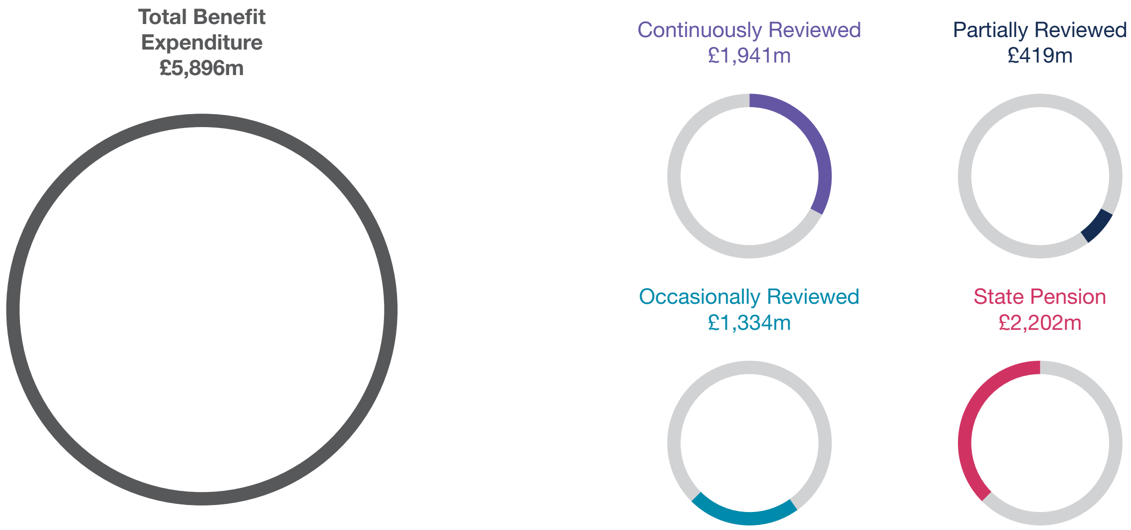
2.17 Estimated overpayments due to official error (excluding State Pension) have increased by £2.0m. The Department told me the increase in monetary terms reflected the increase in benefit expenditure and did not impact the overall level of official error over payments. Overall the level of overpayments due to official error across all benefits had decreased from £25.1m in 2015–16 to £24.3m in 2016–17. The Department also stressed that accuracy across the administration of all benefits overall was extremely high at 99.3 per cent.

2.18 Estimated underpayments due to official error have remained relatively consistent in percentage terms. I would encourage the Department to continue its efforts to ensure that those entitled to benefits receive them.

2.19 In qualifying my audit opinion, I refer to absolute figures which are derived from the Department's estimates. Therefore, caution should be exercised when examining the Department's estimates for trends, due to the measurement uncertainties explained in Note 23 to the financial statements. I acknowledge that 33 per cent of benefits are measured annually for fraud and error and that State Pension (37 per cent of total benefits) is measured annually for official error. However, estimated levels of fraud and error in some benefits are a number of years old. For example, Disability Living Allowance[4] (DLA), which accounted for £1,026 million of expenditure in 2016–17 (17 per cent of total benefits) has not been measured for customer fraud and error since 2008–09. I believe the absence of up-to-date information on error rates in such a large benefit stream creates a risk that the Department is making decisions based on out-of-date measurements. The Department told me lower value benefits undergo official error measurement exercises to identify the level of official error within these benefits and these estimates are reported annually in the Departmental accounts. For 2016 several of these lower level benefits now include proxy estimates for customer fraud and error and these amounts are included in the overall fraud and error estimates within the Departmental accounts – see **figure 5**.

[4] Disability Living Allowance has been replaced by Personal Independence Payment – see paragraph 2.44

Figure 5: Analysis of estimated 2016-17 benefit expenditure by measurement approach



	£m		£m
Employment and Support Allowance	840	Disability Living Allowance (2008)	1,026
State Pension Credit	270	Income Support (2012)	153
Jobseeker's Allowance	125	Carer's Allowance (2010)	155
Housing Benefit (NIHE)	665	**Occasionally Reviewed**	1,334
Housing Benefit (LPS)	39	Attendance Allowance	201
Continuously Reviewed	**1,941**	Social Fund	81
		Other expenditure	137
State Pension[5]	**2,202**	**Partially Reviewed**[6]	**419**

2.20 The Department told me that its statisticians take account of the uncertainty of data from Benefit Review exercises undertaken prior to the current year when calculating the confidence intervals reported alongside the current year's fraud and error estimates. The Payment Accuracy Note details the background around the statistical estimates and provides full disclosure on how the sampling approach introduces statistical uncertainty. It explains that the uncertainty is qualified with 95 per cent confidence intervals and that these give the range in which the Department can be 95 per cent sure that the true value lies for each of the estimates presented.

2.21 The Department has explained its rationale and decision not to complete a Benefit Review for DLA. There are limited resources available to conduct fraud and error measurement. To ensure the effective allocation of these resources, the Department adopts a risk based approach to determine those benefits at greatest risk of fraud and error. DLA is in the process of being replaced by Personal Independence Payment (PIP).

[5] State Pension is reviewed annually for official error only.

[6] Those benefits categorised as partially reviewed are measured annually for official error.

There are no new claims to DLA and caseloads will further decrease with the migration of existing DLA customers. The migration of DLA cases to PIP will in most cases require an assessment of the claimant's current position and their entitlement to the new benefit. Benefit Reviews have therefore been focused on benefits with a higher risk of customer fraud and error e.g. State Pension Credit.

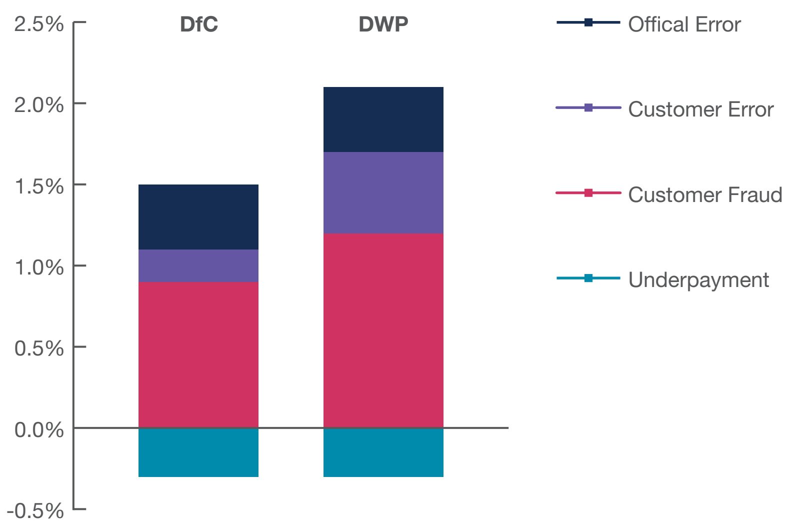
2.22 The Department also told me decisions concerning counter fraud and error operations, and targeting of risk are informed by a range of factors, not solely the fraud and error estimates. More specifically, customer fraud in DLA remains a focus of the Department's Investigation Service with investigations continuing to be undertaken where fraud is suspected. In addition, ring fenced resources have been made available for many years to target specific DLA cases through the Periodic Enquiry process which ensures DLA cases are adjusted to make certain the appropriate benefit payment is made.

2.23 The Department is beginning to measure financial accuracy in PIP in the 2017–18 year in shadow form, with a view to having full and statistically valid PIP accuracy figures reportable in 2018–19. In respect of benefit review, the Department is aiming to commence PIP customer fraud and error measurement in 2018; this is subject to ongoing discussion and planning with DWP measurement colleagues on process and approach.

Comparisons between Northern Ireland and Great Britain

2.24 Administering a complex benefits system to a high degree of accuracy in a cost effective way is challenging. To show how the Department is performing in relation to levels of fraud and error, it is helpful to compare its performance with that of the Department for Work and Pensions (DWP) processing similar benefits in Great Britain. Key comparisons are set out in the **figure 6**.

Figure 6: Estimated Fraud and Error in Benefit Expenditure – comparison of DfC[7] and DWP[8]



[7] Source – DfC Resource Accounts 2016–17

[8] DWP, 'Fraud and Error in the Benefit System – 2016–17 preliminary estimates

2.25 It is clear, that for overpayments, the Department is performing significantly better than DWP in terms of accurate benefit payments. In Northern Ireland overpayments are 1.5 per cent of all benefits paid (DWP 2 per cent) and underpayments due to official error are 0.3 per cent of all benefits paid (DWP 0.3 per cent). The work being done by the Department to minimise underpayments would appear to have a positive impact. Although overpayments due to official error and fraud are very similar, claimants in Northern Ireland are much less likely to be overpaid benefits as a result of their error in submitting a claim and in the management of the claim through its lifecycle, than is the case for claimants in Great Britain.

The Department's progress in reducing fraud and error

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

2.27 Importantly, since August 2014, the Department has been receiving HMRC Real Time Information (RTI) data on earnings and non state pension income and matching this against current social security benefit claims.

2.28 The Department has highlighted the success of the RTI data source which has proven to be a reliable and effective source of intelligence to target and remove cases where earnings and other income have not been declared. The Department is expanding its use of RTI data by beginning to make it available to front-line benefit processing staff when assessing fresh claims. It is expected this will be a significant addition to the Department's fraud/error operation and will help in the drive to prevent fraud/error at the outset of a claim.

Welfare Reform

2.29 Welfare reform is a policy introduced by the Westminster government since 2010. The aim of welfare reform is to:

- make the benefit system fairer and more affordable;
- reduce poverty, worklessness and welfare dependency; and
- reduce levels of fraud and error[9].

2.30 Although welfare policy is devolved to the Northern Ireland Assembly, welfare expenditure is funded directly by HM Treasury and not from the Northern Ireland devolved budget. There is therefore an agreed principle that welfare policy in Northern Ireland will broadly mirror that in place in the rest of the UK. If for example the Assembly decides to pay benefits at a higher rate than those set by Westminster, the Assembly has to pay for any additional spending from within the devolved budget it receives from Westminster.

2.31 Under the Welfare Reform Act 2012, the government has been rolling out benefit changes in England, Scotland and Wales since 2013, designed in part to reduce benefit expenditure. In October 2012, the Assembly introduced the Welfare Reform Bill to implement similar changes in Northern Ireland; however,

[9] https://www.gov.uk/government/publications/2010-to-2015-government-policy-welfare-reform/2010-to-2015-government-policy-welfare-reform

the Bill fell at its final stage in May 2015. This caused a delay in Northern Ireland maintaining parity with benefit policy in Great Britain and, as a consequence, deductions were made by Westminster to the devolved budget to reflect higher Northern Ireland benefit expenditure due to the absence of welfare reform.

2.32 Amidst growing political instability, agreement was reached[10] in November 2015 that allowed the Westminster government to legislate for welfare reform in Northern Ireland. As a result, the Welfare Reform (NI) Order 2015, introduced on 19 November 2015, makes provisions equivalent to the 2012 Act but with some specific changes, including Executive-funded top-ups.

Welfare Reform – Mitigation

2.33 Under the Fresh Start Agreement, the Northern Ireland Executive identified £585 million from Executive funds over four years to 'top-up' the Northern Ireland welfare arrangements, with a review due in 2018–19. The Executive established a working group to bring forward recommendations to maximise the use of the additional resources.

2.34 In January 2016, the Welfare Reform Mitigation Group recommended a three strand strategy to address the impact of reform in Northern Ireland. The report (referred to as the Evason Report) proposed a series of supplementary payments to carers, people suffering ill health and families on low income. It also proposed that resources originally allocated to help those losing out due to tax credit cuts be used to help those affected by the introduction of universal credit. The report estimated a funding requirement of £501 million to implement and administer the measures over the four year period to 2019–20, with a further £8 million of funding for Welfare Reform Support to be delivered by the Independent Advice Sector; a total of £509 million was subsequently approved by the Northern Ireland Executive.

Implementation

2.35 With the exception of mitigation arrangements, welfare reform will reflect developments in GB but with a delay in introducing the new benefits. **Figure 7** shows when the new benefits are being introduced.

Figure 7: Introduction of new benefits

New Benefit	To eventually replace	Introduced in NI	Introduced in GB
Universal Credit (UC)	• Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Income Support • Child Tax Credit • Working Tax Credit • Housing Benefit	September 2017	May 2016
Personal Independence Payment (PIP)	Disability Living Allowance for those aged 16–64	June 2016	April 2013

[10] 'A Fresh Start – the Stormont Agreement and Implementation Plan'

Universal Credit

2.36 Universal Credit integrates all means-tested welfare benefits and in-work tax credits into a single programme. The aim is that the Universal Credit system will improve work incentives by:

- ensuring that support is reduced at a consistent and predictable rate, and that people generally keep a higher proportion of their earnings;
- ensuring that work pays and, in particular, low-hours of work; and
- reducing the complexity of the system, making clear the potential gains to work and reducing the risks associated with moves into employment.

2.37 Currently, some people do not claim all of the separate benefits or tax credits to which they are entitled. In bringing these together Universal Credit should ensure that a claimant receives their full entitlement to benefits, as there will be automatic 'passporting'.

2.38 Universal Credit is to be introduced in Northern Ireland during 2017 for working-age claimants aged 18 to 64 years old. It will be claimed online and consist of a basic personal amount with additional amounts for disability, caring responsibilities, children and housing costs. For any money earned over the 'work allowance' Universal Credit will be gradually reduced. This allows a claimant to take a temporary or seasonal job without having to make a brand new claim or experience any gaps between paydays when moving in and out of work. Claimants will be able to access on-line calculations to estimate the benefit of working at any number of hours.

2.39 Universal Credit will initially apply to new claims, with subsequent phasing in for existing benefit and tax credit recipients from September 2017 until September 2018. Individuals currently in receipt of any of the six benefits that Universal Credit will replace will be transferred to Universal Credit between July 2019 and March 2022. In Northern Ireland, as in GB, where people move from the legacy schemes to universal credit, transitional protection will be available to ensure there is no financial loss to the claimant arising from the change.

2.40 The Department has told me it will be appropriate to end this protection when circumstances underlying the award are no longer recognisable as those on which the legacy calculation was made. This means that transitional protection will end altogether if a claimant's circumstances change significantly. The following occurrences will be considered to be a significant change in circumstances:

- a partner leaving or joining the household;
- earnings dropping below the earnings threshold in the claimant commitment for a period of 3 months or more;
- the Universal Credit award ending; and
- one or both members of the household stopping work.

The arrangements for transitional protection when claimants move to Universal Credit from other benefits as part of the managed process are still being developed.

Personal Independence Payment

2.41 Personal Independence Payment (PIP) is a new benefit for working age customers (16–64 years) which is replacing DLA. PIP went live on 20 June 2016 and from this date all new working-age customers whose disability has an impact on their daily lives. In addition to new claims for PIP, all existing DLA working age customers (16–64 years), of which there are approximately 125,000, will be invited to claim PIP and be reassessed for it over a three year period.

2.42 The main similarities between PIP and DLA are:

- PIP is a non-means-tested, non-taxable cash benefit that claimants can choose how to spend;
- PIP can be claimed whether claimants are in or out of work;
- PIP has two components (Daily Living/ Mobility);
- PIP is linked to getting other benefits – almost all of the existing arrangements for DLA (such as the Blue Badge and Carer's Allowance) will continue; and
- There are special rules for terminally ill people.

2.43 The main differences between PIP and DLA are:

- PIP has different qualifying rules to DLA;
- PIP is assessed on a totally different set of criteria to DLA – the claimant is assessed against 12 everyday activities;
- The claimant will be required to have a medical assessment by an independent health professional – entitlement to DLA was based on information the claimant or their GP provided. In most cases, the medical assessment will involve a face-to-face consultation;
- PIP has only two rates of payment for each component, whereas DLA has two rates for the mobility component and three rates for the care component; and
- Unlike DLA, all awards of PIP will be reviewed on a regular basis, even if the claimant is permanently disabled

DLA – Changes in Circumstances

2.44 In Northern Ireland DLA expenditure in 2016-17 was £1,026 million (2015–16: £990 million) which was 17 per cent (2015–16: 17 per cent) of benefit expenditure. DLA expenditure in Great Britain was £11.5 billion (2015–16: £13.3 billion) which was 6.7 per cent (2015–16: 7.7 per cent) of benefit expenditure – see **figure 8**. The Department told me direct comparisons in DLA expenditure between GB and NI are not consistent. This comparison of DLA expenditure does not take account of the fact that PIP has been in place in GB for a considerably longer period that in NI. PIP was only introduced in NI in June 2016. PIP went live in GB on 8 April 2013 within a controlled region and it was rolled out nationally from June 2013 for new claims. In terms of reassessment of the GB DLA working-age liveload, a phased approach, which commenced in October 2013 is now well underway, with 920,000 existing DLA customers having already commenced their PIP journey as at January 2017, the last published statistics.

Figure 8: DLA comparison of Northern Ireland[11] and Great Britain[12]

	2012–13 £ million	2013–14 £ million	2014–15 £ million	2015–16 £ million	2016–17 £ million
Northern Ireland – DLA benefit expenditure	842	887	942	990	1,026
% of total benefit expenditure	16%	16%	17%	17%	17%
Great Britain DLA benefit expenditure	13,500	13,800	13,800	13,330	11,500
% of total benefit expenditure	8.1%	8.4%	8.2%	7.7%	6.7%

2.45 Note 23 of the Department's financial statements outlines cases where a gradual change in claimants' needs has occurred, so that entitlement to DLA may have changed. It is considered unreasonable to expect the claimant to know at which point that had occurred and therefore it is likely that the Department will only become aware of this when the individual's DLA entitlement is subject to a periodic reassessment. If this reassessment finds that their condition has gradually improved or deteriorated to an extent that it now impacts on their care and/or mobility needs, then there may be a change in the benefit allowance paid to the individual. This would not, however, result in any underpayments or overpayments in the period up to the reassessment because under benefit legislation it is for the Department to prove that entitlement to DLA is incorrect. Any adjustment to an individual's entitlement would therefore only take place from the date of the review.

2.46 SAU last carried out a full benefit review of DLA in 2008 when DLA expenditure amounted to £670 million and at that time it estimated that around 18.2 per cent of DLA cases contained a change in customer circumstances that had not been reflected in the DLA benefit being paid. Figure 8 shows the increase in DLA expenditure peaking at £1,026 million in 2016–17 and using these same percentages, SAU estimate that in 2016–17, some customers may have received £58.2 million more than they would have been potentially entitled to if their circumstances were reassessed, and other customers are estimated to have received £29.7 million less than they would have been potentially entitled to. While customers receiving DLA are periodically reassessed, SAU have not since 2008 carried out a full benefit review on a sample of these reassessments to determine the most up-to-date estimated levels of fraud and error in DLA.

[11] Source – DfC Resource Accounts 2016–17

[12] DWP, 'Fraud and Error in the Benefit System – 2016–17 preliminary estimates

2.47 I acknowledge that these DLA cases are legally and procedurally correct. However I am concerned by the amounts that could be involved in potential adjustments to DLA benefit as a result of changes in circumstances. The Department excludes these potential adjustments from their reported fraud and error over and underpayment figures. Identifying when customer circumstances change at the earliest opportunity is important for both the Department and the customer.

2.48 The Department told me that the potential adjustments are excluded from the reported fraud and error figures as these cases are not over and under payments; the benefit amount in payment to the customer is correct and there is no irregularity. To ensure transparency and understanding on the position with these DLA cases full disclosure on the subject and the amounts for the potential adjustments are included in the notes to the annual accounts. The Department's Fraud and Error Reduction Board provided ring fenced funding on an annual basis over many years, up to and including 2016–17, to target and correct these specific DLA cases. The DLA benefit will be replaced by a PIP benefit. The administration of the PIP benefit will involve much more regular reviews and thus remove the risks associated with changing circumstances in the DLA benefit administration.

Conclusion

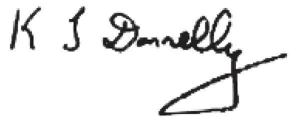
2.49 I have qualified my regularity opinion on the 2016–17 Departmental Resource Accounts due to material levels of fraud and error in benefit expenditure, excluding State Pension. State Pension continues to demonstrate a very low level of error, while overpayments in other measured benefits increased slightly to 1.5 per cent. Underpayments remained consistent with 2015-16 figures at 0.5 per cent. The estimated monetary amount of customer fraud for the Department is now £51.7 million, an increase of £6.6 million from the previous year.

2.50 Overpayments increase costs to the taxpayer and reduce public resources that could be made available for other purposes, and underpayments mean that households may not be getting the support that they are entitled to. The Department should continue in its efforts to prevent, detect and reduce the levels of over and underpayments within each benefit.

Part 3: Other Reporting Matters

Advance Land Purchase by Helm Housing Association – Great Georges Street, Belfast

3.1 I have previously reported on the issues related to the purchase of a site in 2007 by Helm in Great Georges Street, Belfast, which was supported by £8.1 million under the Department's Advance Land Purchase arrangements. As no housing was built on the site, a settlement agreement was reached between Helm, the Department and the NIHE on 1 July 2014 for the full amount to be repaid to the Department over a three-year period. A debtor was recorded in the Department's accounts at 31 March 2014, of which £4.48 million had been repaid at 31 March 2016. The Department has advised me that Helm has settled the remaining £3.62 million in 2016–17 through the offset of allowable costs, the disposal of the site and the forfeiture of Housing Association Grants on current developments. The matter is now closed.



KJ DONNELLY
COMPTROLLER AND AUDITOR GENERAL
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29 JUNE 2017

Part 6

Child Maintenance Service (CMS) Client Funds Account 2016–17

Management Commentary

1.1 Major Reforms

On the 08 May 2017 the Department for Social Development (DSD) transferred to the Department for Communities. The Child Maintenance Service (CMS) is now part of the Department for Communities; the business responsibilities and functions of CMS remain unchanged.

Throughout the 2016–17 year the Child Maintenance Service (CMS) has continued to make significant progress in delivering major reforms to child maintenance. This includes ongoing implementation of the 2012 scheme, while at the same time administering the 1993 and 2003 schemes and preparing them for eventual closure.

The Department for Communities (the Department) is determined to maximise the number of effective maintenance arrangements for children who live apart from one or both of their parents. To do this it has a two-pronged approach: more support for separated families to work together and reach family-based arrangements; and for those that cannot the new 2012 statutory scheme, which can collect money on behalf of parents. In addition, the Child Maintenance Choices service operates as the official ‘gateway’ to the new statutory scheme and helps separated parents to make informed choices about their maintenance arrangements.

The 2012 scheme offers one simpler assessment type based on gross income and benefits in payment. The system retrieves this data automatically from HM Revenue and Customs (HMRC) and the Department’s social security benefits system to carry out the assessment calculations.

Following the introduction of the 2012 scheme on a pathfinder approach in December 2012, the scheme opened to all new applicants in November 2013. The Department was then able to proceed to its second phase of reform on 30 June 2014. This included the introduction of collection and enforcement charges as part of a package of financial incentives to encourage parents to take greater financial responsibility for their children.

Once an application is made to the 2012 scheme, both parents can avoid collection charges entirely by using the Direct Pay service (where parents organise payments between themselves based upon a CMS calculation), this can be a step towards a more collaborative relationship. It is encouraging to see that, at March 2017, two out of three parents using the new 2012 statutory scheme are already using this service and thus avoiding charges completely.

The other key element to the second phase of reform is the closure of existing 1993 and 2003 scheme cases, this is expected to affect around 32,000 cases. By March 2017, 15,669 cases had been selected for closure, of which 12,862 cases had reached the stage where their on-going liability under the 1993 or 2003 scheme has ceased.

By being given the opportunity to look at their child maintenance arrangements again, many parents will decide they do not need state intervention. It is anticipated the 2012 scheme will therefore have a reduced caseload that can be run more effectively, ensuring more money for more children, while also reducing costs for the taxpayer.

1.2 Performance during 2016–17 – 2012 Scheme

The caseload at 31 March 2017 was 10,972 (2016: 6,613). At that point 91.9 per cent of case groups were contributing towards their current liability (31 March 2016: 89.4 per cent).

Parents using the 2012 scheme may elect to use either the Direct Pay or the Collect and Pay service. In total, the Department estimates that £9,039k (2015–16, £5,219k) was paid between parents:

- £7,592k through Direct Pay; and,
- £1,447k through Collect and Pay

1.2.1 Direct Pay

A case is classed as Direct Pay when the maintenance calculation has been derived by CMS (after assessment of the case) and the paying parent pays maintenance direct to the receiving parent. Parents are incentivised, through fees on the Collect and Pay service, to choose Direct Pay.

As at 31st March 2017, 66% per cent of those parents due to pay their liability were using Direct Pay rather than the collection service. While payments made through Direct Pay do not flow through the Client Funds Bank Account they are a key part of the reforms. Payments due under Direct Pay are considered to be made in full and on time unless CMS is informed otherwise.

Where a payment is reported as missed, both clients are asked to provide evidence of the missed payment. Where it is deemed the paying parent is unlikely to pay, the case may be changed to collect and pay where enforcement tools are available to re-establish compliance and recover any outstanding arrears, including any arrears which accrued while the case was Direct Pay.

1.2.2 Receipts of child maintenance – Collect and Pay

During 2016–17, 32,301 (2015–16: 17,806) individual receipts were recorded. Total monies received (including collection charges) were £1,927k (2015–16: £1,173k) with 99 per cent of receipts by volume received electronically.

1.2.3 Payments of child maintenance – Collect and Pay

During 2016–17, 31,683 (2015–16: 18,120) individual payments were made to parents with care with a total value of £1,511k (2015–16: £918k). One hundred per cent are made by funds transferred electronically to clients' bank accounts.

1.3 Performance during 2016–17 – 1993 and 2003 Schemes

The live caseload on the 1993 and 2003 schemes was at 11,647 by the end of March 2017 (19,626 at March 2016). The number of 1993 and 2003 scheme cases with a current liability of child maintenance (i.e. excluding those cases with arrears of child maintenance only) reduced to 2,625 (7,970 at March 2016), whilst the percentage of cases contributing to their current liability of child maintenance was 92.3 per cent by the end of March 2017 (March 2016: 91.3 per cent).

The number of children benefiting from maintenance through the 1993 and 2003 schemes in the quarter to March 2017 was 3,351, a reduction of 6,813 since March 2016, which can be largely attributed to all new maintenance applications now being processed on the 2012 scheme and the commencement of the programme to close all cases on the 1993 and 2003 systems. The amount of maintenance collected or arranged over the year through the 1993 and 2003 schemes was £10.6 million (2015–16: £18.3 million).

1.4 Outstanding Arrears of Child Maintenance

In addition to reporting the receipts and payments of maintenance monies, the Department is required to report on the value of outstanding child maintenance arrears, which totalled £61.7 million at 31 March 2017 (31 March 2016: £63.6m).

1.5 Assessment Accuracy

Assessment accuracy compares the aggregate weekly value of correct and incorrect assessments made by caseworkers to calculate the percentage of accurate cases.

For the year to 31 March 2017, it was not possible to determine the assessment accuracy for the Legacy Schemes (1993 and 2003 Schemes). (2015–16: 96.2%). Due to the closure of Legacy cases throughout the year it was not possible to generate a statistically valid sample of cases to test.

With the 2012 scheme, the Department has simplified the way it administers child maintenance. For example, it has significantly reduced the number of procedures and manual interventions involved in its administration, and built direct digital interfaces with Her Majesty's Revenue and Customs and the Department's benefit system to establish parental income and calculate maintenance.

For the year to 31 March 2017, the reported accuracy was 97.1% (2015–16: 93%). This figure does not take account of fully automated transactions; i.e. where a caseworker does not intervene. Work is on-going to accurately identify these automated transactions and to determine the impact on the overall assessment accuracy for the 2012 Scheme.

It is worth noting that it took nearly 20 years to achieve the accuracy levels on the legacy systems that the new 2012 Scheme is already delivering just 4 years since its introduction. It is also expected to improve as caseworkers become more familiar with the system but also due to the impact of increasing volumes of automated calculations, particularly Annual Reviews. This is where each case is updated after 12 months with the latest gross income which is usually sourced automatically from HMRC.

Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the Department of Finance has directed the Department for Communities to prepare a Statement of Client Funds Account for each financial year in the form and on the basis set out in the Accounts Direction. The Clients Fund accounts must comprise a Receipts and Payments Account, a Statement of Cash Balances and must properly present the receipts and payments for the financial year and the balances held at the year-end.

The notes to the Client Funds Account must include a summary of the maintenance assessment balances at the beginning and the end of the year and movements thereon during the year. The summary must also disclose the extent to which any outstanding maintenance arrears are likely to be collected. In addition the amount of the arrears must be categorised as to its collectability.

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, 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 Department of Finance has appointed the Head of the Department for Communities as Accounting Officer of the Department. The Accounting Officer for the Department for Communities is also the Accounting Officer for the Child Maintenance Service Client Funds. 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 Department for Communities' assets, are set out in Managing Public Money Northern Ireland published by the Department of Finance.

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

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

Leo O'Reilly

LEO O' REILLY
ACCOUNTING OFFICER

26 JUNE 2017

Governance Statement

Introduction

The Department for Communities has responsibility for the management of client funds relating to the 1993, 2003 and 2012 statutory child maintenance schemes, which include the flow of receipts from non-resident parents, payments to persons with care of the children and the Department, and accumulated maintenance arrears. The Department is required to publish a separate Client Funds Account, in accordance with the Department of Finance Accounts Direction under Section 11(2) of the Government and Resources and Accounts Act (Northern Ireland) 2001. The Department operates the statutory child maintenance schemes through the Child Maintenance Service.

The governance arrangements set out in the Departmental Resource Account for the year ended 31 March 2017 relate to the Child Maintenance Service as part of the Department.

This statement provides comment on issues which are specific to the Child Maintenance Service operating within the Department with specific reference to the significant control weaknesses relevant to the Child Maintenance Service.

2012 Scheme

The new 2012 Statutory Scheme opened on a pathfinder basis in December 2012 and then to all new applicants on 25 November 2013. On 30 June 2014 the second phase of the reform programme introduced collection and enforcement charges for clients using the new statutory scheme.

Parents can avoid collection fees completely if they choose to set up a family-based arrangement or pay by Direct Pay. The charging structure per the Scheme adds 20% to each of the paying parents' usual child maintenance amounts and deducts 4% from each of the receiving parents' usual child maintenance amount.

The introduction of charging for CMS services aims to encourage clients to make an active choice about their child maintenance arrangements rather than automatically default to the statutory service. The intention is that only those clients, who are unable to reach a family-based arrangement or where the paying parent has failed to pay using Direct Pay, utilise the Collect and Pay statutory service.

Case Closure Programme

The Case Closure Programme commenced in 2014 and includes processes to contact all 1993 and 2003 system clients-parents with care to consider if they would like their arrears managed on the 2012 system or if they would prefer the arrears to be written off. (There are several reasons why a parent with care may ask for arrears to be written off, for example they may have reconciled with their partner).

The intention is that all legacy scheme cases will be closed and the 1993 and 2003 systems decommissioned. There will be just one statutory scheme in operation, the 2012 Scheme.

For clients who decide to have their arrears managed on the 2012 system, the current process is to transfer arrears from the 1993 and 2003 systems to the 2012 system. Financial controls exist to ensure the values migrating between systems are accurately received and correctly attributed as either due to the parent with care or the Department (for cases where benefits were in payment prior to 2008).

During the reporting year to 31 March 2017 £7.64 million of arrears had transferred to the 2012 system (2015–16: £4.06m) with only £0.02 million not held on a system at year end due to timing on the case build process on the 2012 system (2015–16: £0.02m).

1993 and 2003 Scheme

Many of the control weaknesses highlighted in previous years accounts and documented below, arise as a result of the limitations of the systems underpinning the 1993 and 2003 statutory schemes, which have led to repeated modified audit opinions by the Comptroller and Auditor General. Whilst this statement records the action which the Department has taken to manage these control weaknesses, a key part of the strategic solution remains the full implementation of the 2012 scheme.

Limited Audit Opinion

In 2015–16 Internal Audit's review of the Custody & Control of Actividentity Cards within CMS attracted a "Limited" audit opinion primarily due to the ineffectiveness of management controls. A follow up review was completed by Internal Audit during 2016–17 and the "Limited" Audit Opinion has been raised to "Satisfactory."

Significant Governance and Internal Control Challenges

Accuracy of Maintenance Assessments

Assessment accuracy remains an issue for the 1993 and 2003 schemes. It is central to the modified audit opinions on the Client Funds Account due to the inaccuracy of maintenance assessments and consequent uncertainty around the reported arrears. The accumulated inaccuracies arising mainly from earlier years continue to affect current arrears balances.

It is not possible to identify, review and correct all errors on previous cases from earlier years. Additionally, as the Department is wholly reliant on the Department for Work and Pensions for the provision of IT systems, the Department is not in a position to correct the underlying deficiencies which have contributed to these errors. Cash Value Accuracy remains an area of focus particularly during the challenging conditions brought about by the movement of work relating to the closure of cases on the 1993 and 2003 schemes, while maintaining the growing 2012 Scheme caseload.

In respect of the 2012 Scheme, internally reported assessment accuracy for 2016–17 is 97.1% (2015-16: 93 %). This does not however fully reflect the automation of the CMS 2012 system. In addition, caseworkers are still learning and gaining experience with a new system and its processes; the accuracy of assessments made by caseworkers on the 2012 system is expected to improve over time. There are also a number of initiatives in progress to deliver targeted improvements in areas where weaknesses have been recognised.

Accounting Information

Due to the limitations of the CMS Child Support Computer Systems (CSCS and CS2) supporting the 1993 and 2003 schemes, the evidence available to support the accuracy and completeness of outstanding maintenance arrears balances continues to be limited or unavailable. Therefore, there continues to be significant uncertainty over the accuracy and completeness of the outstanding maintenance arrears balances.

Due to the absence of a satisfactory audit trail to support the outstanding maintenance arrears balances recorded in note 6.1 of the Account only, the Comptroller and Auditor General is unable to conclude on the accuracy and completeness of maintenance arrears balances and has disclaimed his audit opinion in respect of this note alone. This is on the basis that he considers the uncertainties in relation to maintenance arrears to be both material and pervasive.

Cases Managed off the Main Systems

Prior to the implementation of 2012 system, the Department operated two main child maintenance computer systems. These were 1993 (previously known as CSCS) and 2003 (previously known as CS2) systems. Data issues, software defects or both mean that some cases either cannot be managed at all on the 2003 system, or can only partially be managed on that system.

At 31 March 2017, there were 940 cases managed wholly off the 2003 system compared with 2,179 at 31 March 2016. These represent £0.41m of the overall arrears balance reported in Note 6.1 of this Account (2016: £0.88m).

These cases are managed on a number of small IT systems; however, the limited functionality of these systems means a significant additional resource is required to manage these cases.

Statement of Balances

Due to insufficient information being available in underlying IT systems, the Client Funds Receipts and Payments Account and Statement of Balances have historically been prepared using bank statements. The Statement of Balances discloses the balance on the bank account at the year end. The year-end bank balance is then broken down between funds received into the bank which are awaiting clearance and cleared funds which are awaiting distribution.

The analysis of cleared funds is heavily reliant on system generated reports. While the Division can provide a full and detailed breakdown of cash transactions for the current year and historic banking transactions will have been subject to full management and audit scrutiny, the Department is not able to fully reconcile the outstanding bank balance in respect of the 1993 and 2003 schemes to reports generated from the client systems; therefore, the un-reconciled balance will be subject to fluctuations. The Department will continue to take all necessary steps to resolve this issue as far as possible.

Reimbursements to Clients

Where cases are subject to significant delay or maladministration, the Department can incur costs in the form of special payments for compensation for delay, maladministration or financial loss, where appropriate. Such costs are reflected within the Accountability Report of the DfC Resource Account. This totalled £0.081m in 2016-17 (£0.12m in 2015–16).

Information Security

The control challenge remains to protect the vast amount of sensitive personal data necessary to assess and pay child maintenance while, at the same time, making efficient use of that data. The Department is committed to ensuring that all the sensitive information entrusted to it is managed lawfully and appropriately.

Legislation, including the Official Secrets Act, Data Protection Act 1998, Freedom of Information Act 2000, Computer Misuse Act

1990 and the Human Rights Act 1998, sets out the legal framework within which the Department must operate and ensure the safe storage and handling of information. The Department fully recognises these legal responsibilities and takes all necessary actions to ensure that it continues to comply with legislation regarding its management of personal data and other information.

Management Information

Progress has been made in the development and enhancement of management information available for the 2012 Scheme. Whilst this progresses, contingency reports have been developed to allow performance to be monitored.

The 1993 and 2003 computer systems lack the functionality to 'age' arrears of balances due to the parent with care from the non-resident parent. This impacts the Department's ability to assess the collectability of debt. The cost of remedying this issue is considered to be prohibitive.

Conclusion

The Department will continue to work with the Department for Work and Pensions in Great Britain on the continued development of the new Child Maintenance system and will continue to take all possible action to work around the longstanding system issues and mitigate the associated risks.

I am satisfied that the Child Maintenance Service has an effective governance structure and is operating to a high standard of integrity and probity. In signing this report I have taken assurances from the Departmental Audit and Risk Assurance Committee and I will continue to monitor Internal Audit, Northern Ireland Audit Office and Public Accounts Committee recommendations to ensure that all issues are addressed.

LEO O' REILLY
ACCOUNTING OFFICER

26 JUNE 2017

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

I certify that I have audited the financial statements of the Child Maintenance Service Client Funds for the year ended 31 March 2017 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Receipts and Payments Account, Statement of Balances and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Financial Reporting Manual. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Child Maintenance Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Child Maintenance Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Management Commentary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

The Department is required to calculate maintenance assessments in accordance with the relevant legislation. My examination of maintenance assessments identified cases that have been calculated incorrectly.

Qualified opinion on regularity

In my opinion, except for the maintenance assessments calculated in error, in all material aspects the receipts and payments and the financial transactions recorded in the account conform to the authorities which govern them.

Basis for disclaimer of opinion on maintenance arrears balances

My audit examination of maintenance arrears balances was limited because of insufficient evidence to substantiate the level of maintenance arrears included within Note 6.1 to the account and I was unable to confirm the accuracy and completeness of the maintenance assessments which form the basis of the maintenance arrears balances. Whilst I am not able to provide a precise estimate of the level of error, I consider the level of gross error to be material. As the Client Funds account is not prepared on an accruals basis the maintenance arrears figures in Note 6.1 do not impact on other disclosures within the account. Consequently the disclaimer of my audit opinion extends to Note 6.1 only.

Disclaimer of opinion on maintenance arrears balances

Because of the significance of the issues described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate evidence to conclude on the accuracy and completeness of the maintenance arrears balances at Note 6.1.

Unqualified opinion on receipts and payments account

In my opinion:

- the account properly presents the receipts and payments of the Department for Communities Child Maintenance Service for the year then ended 31 March 2017; and
- the account has been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on other matters

In my opinion the information given in Management Commentary and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have not received all of the information and explanations that I consider necessary to substantiate the accuracy and completeness of maintenance arrears balances referred to above. In respect solely of my disclaimed opinion relating to the maintenance arrears balances:

- I was unable to determine whether the Department maintained adequate accounting records to support the level of outstanding maintenance arrears totalling £61.6 million;
- I was unable to determine if Note 6.1 is in agreement with the accounting records; and
- I have not therefore received all the information and explanations I require for my audit.

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

- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Report

My detailed observations are included in my report attached to the financial statements.

K J Donnelly

KJ DONNELLY
COMPTROLLER AND AUDITOR GENERAL
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29 JUNE 2017

Child Maintenance Service (CMS) Client Funds Account

Receipts and Payments Account for the year ended 31 March 2017

	Notes	2016–17 £'000	2015–16 £'000
Receipts	2	9,957	13,105
Bank Interest	3	–	–
Total Receipts		9,957	13,105
Less Payments to :			
Persons With Care		8,840	12,384
the Department (including fees)		713	670
Department for Work and Pensions (DWP)		420	80
Non Resident Parents		141	141
Total payments		10,114	13,275
Net (Payments)/Receipts		(157)	(170)
Balance as at 1 April		363	533
Balance as at 31 March	4	206	363

Statement of Balances as at 31 March 2017

	Notes	2016–17 £'000	2015–16 £'000
Funds awaiting clearance	4	123	126
Cleared funds awaiting distribution	4	83	237
Balance on bank account		206	363

The notes on pages 195 to 200 form part of these accounts.

LEO O'REILLY
ACCOUNTING OFFICER

26 JUNE 2017

Notes to the Account

1. Accounting Policies

1.1 This Receipts and Payments Account has been prepared on a cash basis and in the form directed by the Department of Finance.

1.2 The Client Funds Account properly presents the receipts and payments and cash balances of the CMS Client Funds. The Client Funds Account is required to be published along with the Department's Resource Accounts and includes a Statement of Accounting Officer's Responsibilities and a Governance Statement.

1.3 The notes to the CMS Client Funds Account include a summary of the maintenance assessment balances at the beginning and end of the year and the movements thereon during the year both for the current year and the previous year. CMS is required to disclose the extent to which any outstanding maintenance arrears are likely to be collected. In addition the amount of arrears should be categorised as to its collectability.

1.4 The outstanding maintenance arrears note has been prepared on an accruals basis.

2. Receipts and Payments

2.1 Receipts from clients relate to child maintenance and fees collected from non-resident parents by CMS for payment, to parents with care (maintenance), to the Department or to the Department for Work and Pensions (DWP).

2.2 The receipts quoted in the Receipts and Payments Account differ from the receipts total shown in movements on outstanding maintenance arrears (see Notes 6.1 and 6.2). This is due principally to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Account.

2.3 Refunds are made to Non-Resident Parents under a number of differing circumstances. In the year £108k relates mainly to clerical cases under the 1993 and 2003 schemes going through the case closure process and £33k relates to cases in the 2012 Scheme. Money is also received from the Department to refund Non-Resident Parents in cases where an overpayment has been made, and the amount is irrecoverable as the case has been closed under the 1993 and 2003 schemes. This totaled £18k (2015–16: £20k) and is included within the Accountability Report of the Resource Account.

2.4 The payments to the Department of £713k, include payments of £534k (2015–16 £440k) that have been made in respect of funds received on cases where clients were in receipt of benefit at the time of the assessment, pre-October 2008. When funds are received which relate to periods when clients were in receipt of benefits these payments continue to be made to the Department.

2.5 Payments to the Department include £330k of enforcement and collection charges (2015–16: £196k) which have been applied to parents using the new statutory 2012 Scheme following the implementation of the second phase of the reform programme in June 2014.

3. Interest Received and Paid

3.1 CMS receives interest on balances deposited in the Client Funds bank account, at the Bank of England base rate minus 0.5%. Persons With Care or Non-Resident Parents may, in specific circumstances, be entitled to receive interest payments when CMS, through its own fault, has delayed paying over maintenance received/refunds. No interest was received or paid in 2016-17 (2015-16 £nil) as a consequence of the low Bank of England base rate.

4. Statement of Balances

4.1 The balances relate to sums collected from Non-Resident Parents and interest received which had not been paid over to Persons With Care, the Department, the Department for Work and Pensions or Non-Resident Parents at year end.

4.2 The balances relating to funds awaiting clearance are amounts that CMS has received into its bank account but have not yet cleared through the bank's clearance processes.

4.3 The balances relating to cleared funds awaiting distribution are amounts that CMS has received into the Client Funds bank account but have not yet been paid out to Persons With Care, the Department, the Department for Work and Pensions or Non-Resident Parents.

5. Outstanding Maintenance Arrears at 31 March 2017

5.1 Under the Accounts Direction, issued by the Department of Finance, the Department is required to disclose the balances outstanding from non-resident parents at the year end, the movements in the balances outstanding between the beginning and end of the year and to categorise those balances by reference to their collectability.

5.2 *1993 and 2003 schemes*

There are four types of maintenance assessments:

- Full maintenance assessments – where the 1993 rules apply and both the parent with care and the non-resident parent provide all the information requested.
- Interim maintenance assessments – where the 1993 rules apply and it has not been possible to obtain sufficient information to make a full maintenance assessment.
- Maintenance calculation – where the 2003 rules apply and both the parent with care and the non-resident parent provide all the information requested.
- Default maintenance decision – where the 2003 rules apply and it has not been possible to obtain sufficient information to make a maintenance calculation.

The majority of interim maintenance assessments were set at punitive rates to encourage contact from, and compliance by, the non-resident parent, and hence take no account of their income or ability to pay.

Where the statutory maintenance service is in contact with a non-resident parent on whom an interim maintenance assessment has been imposed, a proportion of the amount outstanding may prove collectable. This is particularly likely where the non-resident parent is co-operating with us and we are able to replace the interim maintenance assessment with a full maintenance assessment.

Where an interim maintenance assessment has been imposed on or after 18 April 1995, the subsequent full maintenance assessment will be backdated and will replace the interim maintenance assessment. Any amounts collected under the interim maintenance assessment will be offset against the full maintenance assessment due.

A default maintenance decision is a calculation based on a weekly average wage and is not set at punitive rates.

5.3 *2012 scheme*

The 2012 scheme offers one simpler assessment type based on gross income and benefits in payment. The system pulls data automatically from HM Revenue and Customs and the Department's benefits system to carry out the assessment calculations.

Collectability of Outstanding Maintenance Arrears

5.4 In line with the Accounts Direction, CMS undertook an "Outstanding Maintenance Arrears Analysis Exercise" to estimate the collectability of outstanding maintenance arrears during 2014–2015. The results have been used as the basis to estimate the collectability of outstanding maintenance arrears as at 31 March 2017. This Exercise established three categories for the total outstanding maintenance arrears i.e. likely to be collectable, possibly uncollectable and probably uncollectable.

Likely to be Collectable

This relates to amounts outstanding which the Exercise suggested are likely to be collected. This takes into account factors such as regular contact with the Non-Resident Parent, where regular payments are being made or an arrears agreement has been set up.

Possibly uncollectable

This relates to amounts outstanding where the Exercise suggested some uncertainty over whether arrears will be collected. The amounts are considered possibly uncollectable where, for example, payments have been infrequent or it has not been possible to establish an arrears agreement or impose a Deduction from Earnings Order. An estimate has been calculated, assessing the difficulty of collecting each element of the outstanding maintenance arrears. Where it is likely to be difficult to collect, due to, for example, unsuccessful attempts to trace a client but the NRPs address or bank account details are known, a proportion of these amounts has been estimated as possibly uncollectable.

Probably uncollectable

This relates to amounts outstanding where the Exercise suggested there is significant uncertainty over whether arrears will be collected due to, for example, the lack of contact with, or the personal circumstances of, the Non-Resident Parent. In many of these cases the Department has suspended recovery action until such time as the individuals' circumstances change.
The full amount of outstanding maintenance arrears in this category has been estimated as probably uncollectable.

5.5 The outstanding arrears for 2012 Scheme cases are considered likely to be collected based on these arrears primarily accruing within the last 3 years. However this position is under review at present.

5.6 The amounts outstanding on individual cases remain and continue to be due in full. CMS will continue to consider any new facts brought to its attention regarding collectability and have not waived its discretion to take action in the future to collect any amount outstanding which becomes collectable.

5.7 On 10 December 2012, powers within the Child Maintenance Act (Northern Ireland) 2008 were introduced, which allowed for the writing off of some arrears in certain circumstances. These are circumstances when the parent with care specifically requests us not to collect it, or when collection is impossible because (for example) the non-resident parent has died and the arrears cannot be recovered from the estate. There are several reasons why a parent with care would ask for the arrears to be written off, for example, they may have reconciled with their former partner.

5.8 Provision has also been made for the parent with care to accept part payment in full and final satisfaction of the outstanding arrears. These arrangements will be made on a case-by-case basis and, where CMS is considering use of these powers, the parent with care will be required to provide their consent to the part-payment arrangement and the amount to be paid.

5.9 In total £3.1m has been written off under these powers across the 1993, 2003 and 2012 schemes in the financial year (2015–16: £3.31m).

Note 6.1 Outstanding Maintenance Arrears as at 31 March 2017

	1993 Scheme (CSCS) £'000	2003 Scheme (CS2) £'000	Legacy Arrears hosted on 2012 Scheme £'000	2012 Scheme £'000	Total £'000
Opening balances as at 1 April 2016	**18,867**	**39,371**	**4,396**	**1,014**	**63,648**
Transfer between schemes *(Note a)*	(621)	(7,014)	7,635	–	**–**
Write Off *(Note 6.3iii)*	(1,225)	(1,470)	(268)	(98)	**(3,061)**
Maintenance Charged in Year	557	15,846	–	2,777	**19,180**
Maintenance Adjustments *(Note b)*	(3,562)	(5,029)	(257)	(238)	**(9,086)**
Maintenance Received in Year	(816)	(6,599)	(160)	(1,448)	**(9,023)**
Closing balances as at 31 March 2017	**13,200**	**35,105**	**11,346**	**2,007**	**61,658**
Collectability analysis					
Likely to be collected	1,648	8,157	746	2,007	**12,558**
Possibly uncollectable	994	4,619	435	–	**6,048**
Probably uncollectable	10,558	22,329	10,165	–	**43,052**
	13,200	**35,105**	**11,346**	**2,007**	**61,658**

Note a

Transfer between schemes relates to movement of arrears balances from 1993 and 2003 schemes to the 2012 scheme.

Note b

Maintenance adjustments include outstanding maintenance arrears transferred to and from the Child Maintenance Group in Great Britain, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due.

Note 6.2 Outstanding Maintenance Arrears as at 31 March 2016

	1993 Scheme (CSCS) £'000	2003 Scheme (CS2) £'000	Legacy Arrears hosted on 2012 Scheme £'000	2012 Scheme £'000	Total £'000
Opening balances as at 1 April 2015	**22,653**	**45,201**	**552**	**587**	**68,993**
Transfer between schemes *(Note a)*	(688)	(3,370)	4,058	–	**–**
Write Off *(Note 6.3ii)*	(981)	(2,189)	(42)	(102)	**(3,314)**
Maintenance Charged in Year	1,022	15,778	–	1,605	**18,405**
Maintenance Adjustments *(Note b)*	(1,807)	(5,794)	(108)	(158)	**(7,867)**
Maintenance Received in Year	(1,332)	(10,255)	(64)	(918)	**(12,569)**
Closing balances as at 31 March 2016	**18,867**	**39,371**	**4,396**	**1,014**	**63,648**
Collectability analysis					
Likely to be collected	2,354	8,859	283	1,014	**12,510**
Possibly uncollectable	1,421	5,017	165	–	**6,603**
Probably uncollectable	15,092	25,495	3,948	–	**44,535**
	18,867	**39,371**	**4,396**	**1,014**	**63,648**

Note a

Transfer between schemes relates to movement of arrears balances from 1993 and 2003 schemes to the 2012 scheme.

Note b

Maintenance adjustments include outstanding maintenance arrears transferred to and from the Child Maintenance Group in Great Britain, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due.

6.3 Movements in outstanding maintenance arrears

The following notes explain movements from the opening outstanding maintenance arrears balance to the closing balance:

i) Maintenance charged in year relates to assessments made on non-resident parents during the year. The amount charged in 2016–17 was £19.2m (2015–16: £18.41m); this movement is as a result of use of 'maintenance direct' and 'direct pay' services, which removes the compulsion to use the Department's collection service.

ii) Maintenance adjustments comprises outstanding maintenance arrears transferred to and from the Child Maintenance Group in Great Britain, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due. The maintenance adjustments in 2016–17 totalled £9m (2015–16: £7.87m); this increase is attributable to the number of adjustments arising from case closure activities undertaken.

iii) CMS has continued to make use of write off powers introduced as part of Write off and Part Payment legislation, with £3.1m being written off on 1993, 2003 and 2012 schemes in 2016–17 (2015–16: £3.31m); this decrease is primarily as a result of a decrease in the volume of requests from PWC's for their arrears not to be collected.

iv) Maintenance received during the year comprises amounts received from non-resident parents, and the Child Maintenance Group in Great Britain during the year. When a receipt is subsequent allocated to a case by the child support computer systems, the receipt becomes a constituent of the arrears balance for that case. The timing difference between receipt, assignment and allocation contributes to the difference between the value of the receipts in the Receipts and Payments Account and the receipts in Note 6. The total value of receipts allocated to cases in 2016–17 was £9.023m (2015–16: £12.57m). Additionally the Receipts and Payments Account includes payments of non-child maintenance not reported in Note 6, which purely covers child maintenance.

Part 7

Report of the Comptroller and Auditor General

Introduction

1. The Child Maintenance Service was a Division within the Department for Communities (the Department) during the financial period covered by this report. The main purpose of the Child Maintenance Service (CMS) is to:

- promote the financial responsibility parents have for their children;
- provide information and support about the different child maintenance options available to parents; and
- provide an efficient statutory maintenance service with effective enforcement powers.

2. The Department is required under an Accounts Direction from the Department of Finance to prepare a CMS Client Funds Account. This is a receipts and payments account showing mainly receipts of child maintenance from non-resident parents and payments made to persons with care responsibilities for those children.

3. The Department is also required to provide a summary of the amounts due in respect of unpaid maintenance assessments together with its assessment of the extent to which any outstanding maintenance arrears are likely to be collected at the year end. The administration costs of running CMS are not included within this account but instead are accounted for through the Department's Resource Account.

4. I am required to examine and certify the CMS Client Funds Account and report the results to the Northern Ireland Assembly. In doing this I give an opinion on three specific elements of the account:

- the regularity of the receipts and payments included in the account i.e. if they comply with the regulations governing them;
- the truth and fairness of the figures included in relation to the outstanding maintenance arrears in note 6.1 which I am required to report on specifically; and
- that the receipts and payments part of the account (i.e. the remainder of the account apart from note 6.1) is properly presented.

5. This report provides a summary of the issues giving rise to the qualifications and also provides an update on the issues I reported on last year.

Qualified Audit Opinions

6. In every year since the inception of child support in April 1993, my audit opinion has been qualified and my work this year has again concluded that a qualified audit opinion is still required in relation to the following areas:

- on the regularity of the receipts and payments reported in the account. This is because the receipts and payments are based on maintenance assessments calculated over several years and I consider the estimated level of error in these maintenance assessments to be material (see paragraphs 7 to 17); and
- on the accuracy and completeness of the outstanding maintenance arrears at 31 March 2017 as shown in note 6.1. As a result of an inadequate audit trail, my examination of the arrears balance was severely limited and therefore I was unable to obtain enough evidence to satisfy myself as to the accuracy and completeness of the outstanding maintenance arrears of £61.6 million (see paragraphs 18 to 23).

My opinion in relation to the receipts and payments part of the account being properly presented is not qualified. Further details of the basis for my opinions are provided below.

Qualified Audit Opinion – Regularity of maintenance assessments

7. In each of my audits since 1993, I have identified a significant level of error in maintenance assessments. The level of error was particularly high in the early years of child support and there has been considerable improvement more recently. Since maintenance assessments, once calculated, can stay in place for a number of years, the level of error in past years is likely to continue to impact on the amounts collected from non-resident parents and subsequently paid to the parent with care in the current year.

8. I acknowledge that the Department's problems have been due in part to inadequate and poorly performing IT systems developed by the GB child maintenance body to calculate assessments due under the relevant schemes. These systems continue to support individual cases and consequently contribute in particular to outstanding maintenance arrears figures in note 6.1 to the CMS Client Fund Account. The Department has previously told me that the underlying and fundamental weaknesses in both the CSCS system (used for cases beginning 1993 to 2003) and CS2 system (used for cases beginning 2003 to 2013) cannot be addressed. As a result these systems are not fit for purpose but their underlying problems would be too costly to put right.

9. The Department introduced its new CMS2012 scheme in December 2012 and since 25 November 2013 all new cases are being processed through a new IT system that supports this scheme. As part of the second phase of the reform programme, CMS continued, where possible, with the closure of liabilities on cases recorded on the CSCS and CS2 systems where parents had sought a reassessment. Parents had to choose between making their own, family-based arrangement and applying to the 2012 Scheme. Where an application has been made to the 2012 Scheme, any outstanding legacy arrears will transfer across to the 2012 Scheme. The intention is by the end of 2017–18 to have all cases managed on the CMS2012 scheme which would then allow for the closure of the legacy schemes and associated IT systems.

10. I asked the Department to comment on whether it is still on target to have all cases managed on the CMS 2012 scheme by 2017–18 and how it intended to ensure the accuracy of the legacy assessments brought onto the new CMS 2012 scheme. The Department told me that with the exception of the Legacy Arrears Only caseload, all cases will be managed on CMS 2012 by the end of 2017-18. The GB CMS Implementation Team are due to decide how to manage the Arrears Only cases through the Legacy Closure process and this decision is expected imminently. The NI CMS is hopeful that all subsequent actions will be complete on all other caseloads and the relevant cases managed on CMS 2012 by the end of 2017–18 year.

11. The Department told me in relation to the accuracy of the legacy cases transferred to the new system the assessments throughout the case history have all been checked for accuracy and process assurance. All cases when closed go through an arrears cleanse process which involves management checks to ensure no action is outstanding on the case and that all payments/non-payments are included in the arrears total. The Legacy computer system performs an internal check to ensure the arrears balance is accurate and it will stop any arrears being transitioned if it recognises any action outstanding. Finally a check is completed by the finance teams to ensure the arrears balance leaving Legacy is accurately transitioned to CMS 2012.

12. The CMS 2012 scheme uses a new computer system, separate from the two previous systems and it is able to obtain information on income directly from HMRC records so that assessments can be calculated automatically. It is anticipated that this will reduce the administrative burden of the process, create more accurate assessments and operate more efficiently. I would encourage the Department to continue working with their GB counterparts to ensure the integrity of this system and I shall continue to monitor progress in this area.

13. The Department has established a Case Monitoring Team (CMT) within CMS to provide estimates of the level of error in maintenance assessments (cash value accuracy). I am satisfied that this approach is reasonable and that the results produced by CMT represent the best available measure of cash value accuracy and are a reasonable estimate of the rate of errors in maintenance assessments.

Figure 1: Cash Value Accuracy of Maintenance Assessments

	2012–13	2013–14	2014–15	2015–16	2016–17
Legacy Level of error	3.5%	1.9%	2.0%	3.8%	N/A
Legacy Systems Cash Value Accuracy	96.5%	98.1%	98.0%	96.2%	N/A
CMS 2012 Cash Value Accuracy	N/A	N/A	N/A	93%	97%
Cash Value Accuracy Target	97%	97%	97%	97%	97%

Source: *Case Monitoring Team (CMT)*

14. Legacy Cash Value Accuracy is a measure of the number of correct assessments against the number of incorrect assessments for CSCS and CS2 cases only. The 2016–17 accuracy figures only contain the results of CMS 2012 cases.

15. The Department is required to calculate maintenance assessments in accordance with the relevant legislation. When an error is made in a maintenance assessment, both the receipt and associated payment are incorrect and have not complied with the relevant legislation. In my opinion the amount of error in relation to maintenance receipts and associated payments this year are significant both because of the level of error in this year's assessments and also in assessments made in previous years that continue to impact on the current year.

16. Therefore whilst the account properly presents the amounts of child maintenance received and paid in the year, I have qualified my audit opinion on the regularity of maintenance assessments on which the receipts and payments reported in the account are calculated because of the levels of error identified in those assessments made in both the current year and in previous years. These assessments are not in accordance with the legislation governing them and therefore are not in line with the purposes intended by the Assembly.

17. I note that the level of error in legacy cases has not been tested in the current year. I asked the Department to comment on this and the Department told me that for the year to 31 March 2017, it was not able to determine the assessment accuracy for the Legacy Schemes (1993 and 2003 Schemes). Due to the closure of Legacy cases throughout the year it was not possible to generate a statistically valid sample of cases to test. Legacy cases were subject to Tier 1 Quality Assurance checking for accuracy and process assurance.

18. The Department told me that CMS2012 decisions are mainly fully automated but some of the more complex cases require user intervention. The performance target for the 2016–17 year was to achieve a cash value accuracy level of 97% by 31st March 2017 for the CMS2012 scheme where a user intervention was required. The volume of cases selected is based on a formula provided by the Departments statisticians and at the 31th March 2017 the accuracy for CMS 2012 scheme user intervention cases 97.4%.

Disclaimed Audit Opinion – Note 6.1 Outstanding maintenance arrears

19. Where the Department is responsible for collecting child maintenance payments from non-resident parents but those payments are not received, then this is recorded as maintenance arrears and the total amount of unpaid maintenance assessments is shown in note 6.1 to the accounts. This figure is based on the accounting records from three systems:

Figure 2: Outstanding Maintenance arrears

System	At 31 March 2013 £'000	At 31 March 2014 £'000	At 31 March 2015 £'000	At 31 March 2016 £'000	At 31 March 2017 £'000
Child Support Computer System (CSCS) introduced 1993	29,668	28,052	22,653	18,866	13,200
Child Support 2 (CS2) introduced 2003	51,841	50,465	45,201	39,371	35,105
Child Maintenance Scheme 2012 (CMS 2012) introduced December 2012	–	301	1,145	5,410	13,353
Total	**81,509**	**78,818**	**68,999**	**63,647**	**61,658**

Source: *CMS Accounts 2015–16*

20. The total of £61.6 million represents the cumulative amount of arrears since child support arrangements were established in 1993, being the amounts owed by the non resident parent to the parent with care. Current legislation only allows the Department to write off arrears in very limited circumstances, for example where the parent with care no longer wants the arrears collected. I note that the reduction in the outstanding maintenance arrears figure has been achieved mainly by CMS making use of write off powers introduced in December 2012 as part of Write Off and Part Payment legislation, resulting in £3.1 million of outstanding arrears being written off in 2016–17 (2015-16: £3.3 million). I asked the Department to comment on its plans to reduce maintenance arrears further in the future.

21. The Department told me the decrease in the outstanding maintenance arrears in 2016–17 has been achieved through implementation of the write off powers available to NI CMS and the continued attempt to collect outstanding arrears from Non–Resident Parents using all enforcement powers available. This approach to reduce arrears will continue for the remainder of the Legacy Closure Programme.

22. The CSCS and CS2 IT systems have a long history of problems and are unable to directly generate the information needed to prepare the arrears figure in the Account, on a case by case basis. The outstanding maintenance arrears at 31 March 2017 comprises numerous individual cases and can only be derived from these two legacy systems, using a series of complex manual workarounds, in addition to the balance from the new CMS 2012 system. In the absence of accurate information to support the £48.3 million outstanding maintenance arrears balance from the CSCS and CS2 systems, my examination of this amount was severely limited as there is no reliable evidence available to support the arrears balances relating to these systems.

23. The more recently introduced CMS 2012 system does however enable the Department to substantiate the balances of maintenance arrears on a case by case basis. However, as noted in paragraph 9, the Department is not reviewing the arrears balances transferred to the CMS2012 scheme for accuracy. There were 10,972 cases on the CMS2012 system at the end of March 2017 with an outstanding maintenance arrears balance of £13.3 million. This balance of arrears is not significant in comparison to the £61.6 million total of outstanding maintenance arrears at note 6.1 and for that reason the note is still disclaimed.

24. In relation to note 6.1 only, I was unable to conclude on the accuracy and completeness of the maintenance arrears balances and therefore my audit opinion in respect of this note is disclaimed. This type of audit qualification reflects the fact that I consider the uncertainties in relation to maintenance arrears to be both material and pervasive to that note.

25. I recognise that it is difficult for the Department to fully resolve this issue as it has been caused by IT problems that go back to the beginning of the Department's involvement in child support arrangements. The Department told me that significant attempts have been made in recent years to generate arrears listing reports on a case by case basis; however, due to the limitations of the Child Support IT systems, CSCS and CS2, it has not been possible to generate accurate case listings which fully reconcile to the Client Funds Account. The Department has also told me it has implemented a range of operational reports which allow the Department to focus recovery action in non-compliant cases. With the implementation of the 2012 Scheme, the significant improvements delivered to date have enabled the Department to provide an accurate arrears listing for 2012 Scheme cases. The availability of this arrears listing enables the Department to meet the requirement of Recommendation 10 of the 2008 Public Accounts Committee report[1] for 2012 Scheme cases.

[1] Report on Northern Ireland Resource Accounts – Northern Ireland Child Support Agency Client Funds 2003–04 – 2006–07

Other issues

Outstanding maintenance arrears and its collectability

26. The Department has assessed that £49.1 million is considered to be probably and possibly uncollectable following the application of the 2014–15 collectability review to the 2016–17 balances. This means that the Department now considers that it is likely to collect less than 20 per cent of the total maintenance arrears balance. I asked the Department to comment on the significant level of maintenance arrears considered to be probably and possibly uncollectable.

27. The Department told me the next collectability review is scheduled for 2017–18 in respect of the Legacy Scheme arrears; this is in accordance with the agreed 3 year cycle. In respect of CMS 2012 Scheme during the year the Department for Work and Pensions (DWP) have commissioned a review of collectability analysing the circumstances of over 32,000 clients in Great Britain who had accumulated levels of unpaid maintenance that exceeded £1,000. This report is still under consideration by DWP.

28. The Department expects to undertake a full review of CMS 2012 collectability in 2017-18 in light of the work of the DWP Collectability report and any further application to Northern Ireland 2012 cases. All outstanding unpaid maintenance on the CMS 2012 scheme to March 2017 have been reported as collectable. The Department has reviewed this assumption and still believes it appropriate to report all unpaid maintenance on the CMS 2012 scheme as collectable.

29. The Department has also told me the the arrears balance on the Client Funds Account has been accumulating since 1993. As this balance ages, it becomes increasingly difficult to collect. In addition, there are other factors which limit the Department's ability to collect arrears such as the significant percentage of paying parents who remain on benefits. With the removal of the compulsion for clients on benefits to use the Child Maintenance Service from 2008, there are fewer new cases. Additionally, the Department's policy direction in respect of Child Maintenance since 2008 has been to promote and support separating families in establishing effective family based arrangements. The Department told me that the overall impact of these policy and legislative changes is a reducing caseload, a higher proportion of which will be older cases with arrears balances that are extremely difficult to collect and where the Department's options for legal enforcement are severely limited. The Department told me these limitations have a direct impact on the Department's ability to collect outstanding maintenance arrears, which in many cases date back to the 1993 scheme.

In addition, £6.2m of the outstanding maintenance arrears relates to Interim Maintenance Assessments (IMA's), where the 1993 rules apply and it has not been possible to obtain sufficient information to make a Full Maintenance Assessment (FMA). The majority of IMA's were set at punitive rates to encourage contact from, and compliance by, the non-resident parent, and hence take no account of their income or ability to pay. Where the Department has been able to establish contact with the non-resident parent on whom an IMA has been imposed, a FMA can then be completed. Where an IMA has been imposed on or after 18 April 1995, the subsequent FMA will be backdated and will replace the IMA, which in the majority of cases will result in a significant reduction in the amount of arrears due. A substantial element of IMA arrears are therefore considered to be uncollectable.

Enforcement of arrears

30. The Department has a number of options open to it to try to pursue outstanding maintenance arrears and the use of these options is detailed in Table 3 below. Whilst I acknowledge that some of these options may be difficult to administer, I note that the Department has used enforcement powers in only 8.44 per cent of its arrears cases and that the total number of cases where enforcement powers have been used has increased/decreased in 2016-17, although they have been used in an increased percentage of cases. I would encourage the Department to further increase its utilisation of these powers.

Figure 3: Cases where enforcement powers have been used by CMS

Enforcement Powers	2012–13 Number	2013–14 Number	2014–15 Number	2015–16 Number	2016–17 Number
Deductions from earnings orders[2]	3,839	3,718	2,682	2,199	1,742
Liability orders[3]	76	86	118	67	82
Lump Sum Deduction orders[4]	117	95	115	95	55
Regular Deduction orders[5]	35	31	29	65	32
Application to courts to force property/land to be sold	0	0	0	0	1
Total	**4,067**	**3,930**	**2,944**	**2,426**	**1,912**
Number of cases in arrears	**30,455**	**31,481**	**25,715**	**18,380**	**22,643**
Percentage of cases where enforcement powers are in place	**13.4%**	**12.5%**	**11.4%**	**13.2%**	**8.44%**

Source: *CMS*

[2] Deductions from earnings orders allow maintenance and arrears totalling up to 40 per cent of the non-resident parent's net income to be deducted by employers.

[3] Liability orders are the first step to other civil enforcement measures using the Court system.

[4] Lump sum deduction orders can be attached to savings accounts to recover child maintenance arrears.

[5] Regular deduction orders are used to collect arrears at regular intervals.

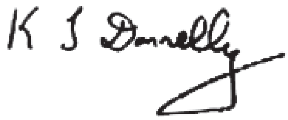
31. The Department told me that the on-going closure of the legacy caseload has reduced the number of cases where Enforcement action is required. The number of cases contributing to a current liability remains high at 92% as at 31 March 2017. The Department noted that its focus continues to be on preventing and management arrears by ensuring more parents pay the child maintenance they owe, not only in full but on time. This ensures more money flows to children and avoids increasing debts owed by parents for their children. This improvement in collections has also reduced the requirement to refer cases to our Legal Enforcement Team. The Child Maintenance Service provides information and support to help separated parents collaborate together and put in place their own family based arrangements that best suit their particular circumstances.

32. In addition, where parents are unable to make their own family based arrangements and seek the intervention of the Child Maintenance Service, the Department told me 65% use the "calculation service" only – taking control of the payment arrangements themselves. Collectively while both these circumstances reduce the volume of cases where enforcement action is required, they lead to positive outcomes for families, children and wider society in general as families work together in taking financial responsibility for their children.

33. The Department has also told me that Child Maintenance Service continues to work closely with the Enforcement of Judgements Office (EJO) to take enforcement action, where appropriate, in cases where parents are unwilling to meet child maintenance responsibilities and deliberately avoid making payments. The Department will continue to use the full extent of the enforcement powers available to it and will actively pursue enforcement action when it is appropriate to do so.

Conclusion

34. I have qualified my opinion on the regularity of receipts and payments because I consider the estimated level of error in maintenance assessments to be material and therefore the receipts and payments do not conform to the authorities which govern them. In respect of my work relating to the outstanding maintenance arrears balance of £61.6 million within note 6.1, I was unable to obtain sufficient evidence to support this balance and accordingly I am unable to express an opinion on this note.



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