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Social Security Agency

Annual Report & Accounts

2013-2014

SOCIAL SECURITY AGENCY

An Agency within the Department for Social Development
www.dsdni.gov.uk

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Social Security Agency
Annual Report and Accounts
For the year ended 31 March 2014

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

3rd July 2014

Any enquiries regarding this document should be sent to us at planning@dsdni.gov.uk
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Contents

Chief Executive's Report

I am pleased to present the Social Security Agency's Annual Report and Accounts for 2013-14.

I would like to begin by saying that the Agency has again had a very successful year both in terms of delivering further service improvements and exceeding the majority of its service targets. The Agency achieved, or achieved within confidence intervals, the financial accuracy targets in five of our major benefits with the only exception being in State Pension Credit where there continues to be progress being made despite the complexity of this particular benefit. At year end we not only achieved our financial accuracy targets but significantly exceeded the claims clearance targets in all six major benefits.

It is important to recognise the efforts of staff across the Agency in delivering this level of performance but I would like to make a special mention of the staff in our local office network and centralised benefit offices who have delivered the best set of results ever achieved by the Agency.

Over the past 12 months a great deal of work has been undertaken to build on the success of the Improving Benefit Uptake Programme. In July 2013 the Minister launched 'Maximising Incomes and Outcomes', the Department's three year plan for improving the uptake of benefits. The 2012-13 Benefit Uptake Programme generated approximately £17m in new and additional income for almost 5,000 people in Northern Ireland. These people are now £65 better off per week on average.

Over the past year we have continued our focus on tackling fraud and error. This is one of the Agency's key strategic objectives and this year we matched the improvements made during previous years to a level where overpayments now equate to only 0.9% of benefit expenditure. This outcome means that the Agency's performance has been sustained for three consecutive years despite increases in benefit expenditure. In preparation for the proposed changes being introduced as part of welfare reform, we implemented a range of new counter fraud and error initiatives, alongside those contained within the National Fraud and Error Strategy. There have also been a number of significant service improvements during the past year including the announcement of a Jobs & Benefits Office for Strabane; completion of the Universal Service Centre in Castle Court and the announcement of 2 further centres in Foyle and Newry Jobs & Benefits Offices; commencement of the reassessment of the final tranche of the 83,000 Incapacity Benefit customers and the launch of the Agency's Telephony Strategy which will have a key role in shaping future services. I would like to thank not only those staff involved with implementing these changes, but to all staff for continuing to deliver a high quality service in the midst of additional changes to how we do our work.

The Agency is committed to ensuring our staff have the appropriate skills and knowledge not only to undertake their work but also to work directly with our customers. In support of this we have fulfilled our commitment to ensure all of our staff had an average of 3 days training and development in the past 12 months. This year we also continued the roll out of a Leadership Programme for middle managers in the Agency to provide them with skills required to lead staff through the major reform programme which will impact the Agency over the next few years.

As part of our continued commitment to corporate responsibility, Agency staff during 2013-14 arranged over 125 local fundraising events including raffles and coffee mornings. A total in excess of £55,000 was raised for 55 good causes and charities such as NI Hospice, Macmillan Cancer Support, Chest, Heart and Stroke Association, Age NI, Salvation Army and St Vincent De Paul.

During 2013-14, a total of 132 Agency staff participated in 13 Employer Supported Volunteering challenges hosted by Business in the Community. In addition, 15 Agency staff were also seconded to voluntary bodies including the Prince's Trust. These secondments were focussed on making a positive contribution to the community.

Looking forward, 2014-15 will be a significant year of change for the Agency, as we continue to deliver and implement quality services whilst also implementing a major programme of welfare reform.

Our vision is to 'Help people change their lives for the better' which we are trying to achieve through the delivery of quality public services. We are here to support those people in Northern Ireland who are vulnerable and need financial assistance, and to help people in their journey back into work. As an Agency we will work in partnership with others and will strive to ensure our customers feel supported when they come into contact with our staff.

TOMMY O'REILLY
CHIEF EXECUTIVE
27 JUNE 2014

Social Security Agency

Part 1

Management Commentary

Strategic Report

History and Statutory Background

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

The Assembly is the prime source of authority for all devolved responsibilities and has full legislative and executive authority. Nelson McCausland is the Minister for the Department for Social Development.

The Social Security Agency Annual Report and Accounts are presented to comply with a direction issued by the Department of Finance and Personnel (DFP) in accordance with section 11(3) of the Government Resources and Accounts Act (Northern Ireland) 2001.

The Agency is currently managed by a 6 member Board which, at year end, comprises a gender split of 4 males and 2 females.

The Business

The Agency's main business is to:

- Assess and pay social security benefits accurately and securely.
- Give advice and information about these benefits.
- Support people by helping them move closer to work.
- Deliver Welfare Reform.
- Process benefits reviews and appeals.
- Prevent and detect benefit fraud, prosecute offenders and recover any benefit which has been paid incorrectly.
- Recover benefit which has been paid in compensation cases.
- Assess people's financial circumstances if they are applying for legal aid.
- Provide services to customers in Great Britain on behalf of the Department for Work and Pensions (DWP).

The Agency delivers its services to:

- the people of Northern Ireland, with a population of some 1.8 million; and
- the people living in 3 Districts within London.

Annex 1 provides more detail on the Agency's Role and Responsibilities. Annex 2 provides details on how to contact us.

Social Security Agency Balanced Scorecard 2013-14

The Agency's Balanced Scorecard has its origins in the Department for Social Development's Corporate Plan. This plan sets the context in which we will be operating and how we contribute to improving the quality of life and well-being of society in Northern Ireland, linking to the Programme for Government aims and priorities 2011 - 2015 and our contribution to the Executive's aim to **'build a shared and better future for all'.**

Information on all other departmental commitments is included in the DSD Business Plan for 2013-14 under the three key themes of Housing, Welfare Reform and Strengthened Communities and Vibrant Urban Areas.

The DSD Corporate Plan 2011-15 and Business Plan 2013-14 can be accessed via: **www.dsdni.gov.uk**

Our Balanced Scorecard sets out the Agency's Strategic Objectives that challenge us in terms of working directly with our customers and key stakeholders to inform and shape welfare policy and operational delivery; working towards the launch and implementation of our reform programme; taking forward a range of projects to modernise services and improve accessibility; and commitments to improving how we manage and develop our staff.

The Strategic Objectives relate to our key themes of:

- **Reform and Modernisation**
- **Quality Customer Services**
- **Performance and Accountability**

Our Vision and Values:

VISION

" Helping people improve their lives for the better "

VALUES

- **We act fairly and honestly**
- **We are connected**
- **We are proud of what we do**
- **We deliver quality services**

The Agency's Balanced Scorecard is underpinned by our Strategy Map which is a visual representation of how our Vision and Values link to our Key Themes. These are in turn supported by detailed Directorate Scorecards. During 2013-14 the Agency Management Board and the Minister received quarterly progress reports against the Corporate Balanced Scorecard targets. Progress is also communicated to our staff through internal communications and to other stakeholders as appropriate.

A copy of our Strategy Map can be found in Annex 3.

"Helping people improve their lives for the better"

Key Performance Achievements - Overview

Financial Accuracy

Four of the 6 main benefits have a 99% financial accuracy target. Three met or exceeded that target, (Disability Living Allowance 99.6%, Income Support 99.1% and State Pension 99.8%). Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA) just missed their targets by 0.1% (JSA result of 98.9% against a 99% target and ESA result of 96.9% against a 97% target), although both

were met within their respective upper confidence intervals. State Pension Credit with a result of 97.1% and upper confidence interval of 97.9% just missed its target of 98%.

The Agency has met its 2013 target to sustain or improve performance on overpayments and, indeed, has now consistently maintained its record low level of **0.9%** overpayments for 3 consecutive years. The underpayment performance with a result of **0.5%** just missed its 0.4% target by 0.1%.

Clearance Times

At year end all 6 main benefits exceeded their claims clearance targets including noteworthy outcomes in State Pension Credit with an achievement of 7.2 days against a target of 9 days; Disability Living Allowance achieved 35.1 days against a target of 37 days; and Employment and Support Allowance achieved 11.9 days against a target of 14 days.

Fraud and Error

The Agency's Benefit Security Strategy has been instrumental in the reduction of fraud and error to their lowest ever levels. Fraud and error remains a priority for the Agency and our strategy will continue to be guided by that principle.

Estimated social security benefit losses attributable to fraud and error for 2013 total £45.6m or 0.9% of benefit expenditure which compares to £42.7m or 0.9% of expenditure reported for 2012. This outcome means that the Agency's performance on overpayments has been sustained for 3 consecutive years, despite benefit expenditure having increased over this period from £4.5bn to £4.8bn.

For 2013, losses from official error equated to 0.4% of benefit expenditure or £21.1m in comparison to 0.3% of expenditure in 2012, or a monetary value of £12.7m. Over the same period, loss from customer error reduced to £8.4m (0.2%) compared to the 2012 outcome of £13.1m (0.3%).

Customer fraud has also reduced, with the estimates falling from £16.9m or 0.4% of expenditure in 2012 to £16.1m (0.3%) in 2013.

Performance against Balanced Scorecard Targets

BALANCED SCORECARD TARGET	YEAR END RESULT
BUSINESS PERFORMANCE	
By March 2014, to have completed the unique Northern Ireland aspects of the IT design, build and testing to support the delivery of Universal Credit in Northern Ireland (including Payment Flexibilities).	Not Achieved
By March 2014, to have in place a service centre(s) ready to administer Universal Credit when it is introduced in April 2014.	Achieved
By March 2014, to have adapted the network of Jobs & Benefits/ Social Security Offices to support the administration of Universal Credit when it is introduced in April 2014.	Likely to be achieved with some delay
By December 2013, to have successfully implemented new Discretionary Support provision in Northern Ireland.	Not Achieved
By March 2014, to have developed a Discretionary Support provision of goods pilot.	Not Achieved
By March 2014, to have commenced the implementation of Personal Independence Payment (PIP).	Not Achieved
By December 2013, to have implemented Employment and Support Allowance (ESA) time limiting.	Not Achieved
By December 2013, to have implemented the Benefit Cap.	Not Achieved
By March 2014, to have commenced reassessment of the final tranche (33,000) of all Incapacity Benefit (IB) claimants (83,000).	Achieved

By March 2014, to have achieved, within tolerance, the following overall financial accuracy targets of total expenditure in relation to:

BENEFIT	TARGET	OUTTURN	
Income Support	99%	99.1%	**Achieved**
Jobseeker's Allowance	99%	98.9%	**Achieved within tolerance interval**
State Pension	99%	99.8%	**Achieved**
State Pension Credit	98%	97.1%	**Not Achieved**
Disability Living Allowance	99%	99.6%	**Achieved**
Employment and Support Allowance	97%	96.9%	**Achieved within tolerance interval**

By March 2014, to have achieved the average clearance times in the following benefits:

BENEFIT	TARGET	OUTTURN	
Income Support	8 days	6.5 days	**Achieved**
Jobseeker's Allowance	11 days	10 days	**Achieved**
State Pension	7 days	6 days	**Achieved**
State Pension Credit	9 days	7.2 days	**Achieved**
Disability Living Allowance	37 days	35.1 days	**Achieved**
Employment and Support Allowance	14 days	11.9 days	**Achieved**

By March 2014, to have issued an invitation to 25,000 people at risk of poverty offering a full and confidential benefit entitlements check.	Achieved
By March 2014, to have implemented the actions set out in the Year 1 Programme of Maximising Incomes and Outcomes, A Plan for Improving the Uptake of Benefits.	Likely to be achieved with some delay
To have contract and service management arrangements in place, one month prior go live, to support the delivery of assessment provider services for the Personal Independence Payment.	Likely to be achieved with some delay
By March 2014, to have developed contract management processes that will enable the management of the new soft Facilities Management arrangements.	Likely to be achieved with some delay
By March 2014, to have completed an EFQM Excellence Model assessment.	Achieved
By March 2014, to have implemented a programme of actions based on embedding organisational performance across all Agency teams.	Likely to be achieved with some delay
CUSTOMERS	
By 31 March 2014, to have delivered a programme of research to gain customer and stakeholder insight.	Achieved
By 31 March 2014, to have developed and implemented a customer and stakeholder engagement plan.	Likely to be achieved with some delay
By October 2013, to have completed baseline customer surveys for the Universal Credit business case.	Achieved
By September 2013, to have invited bids to the 2013-14 Innovation Fund for Improving the Uptake of Benefits and initiate projects.	Achieved

By March 2014, to have worked collaboratively with the Northern Ireland Advice Service Consortium (NIASC) to develop a programme of work to support Welfare Reforms.	**Likely to be achieved with some delay**
By December 2013, to have initiated a signature project in partnership with OFMDFM to address the needs of older people and those with a disability.	**Likely to be achieved with some delay**
By September 2013, to have a Universal Credit Employer Engagement Strategy in place.	**Achieved**
By March 2014, to have implemented a programme of enabling actions to support delivery of the Customer Contact Strategy.	**Achieved**
By September 2013, to have base-lined the Target Operating Model for the administration of Universal Credit when it is introduced in April 2014.	**Achieved**
By September 2013, to have agreed the criteria and process for Payment Flexibilities under Universal Credit.	**Likely to be achieved with some delay**
By December 2013, to have implemented a delivery model for legacy short-term benefits advances.	**Not Achieved**
By March 2014, to have in place an agreed programme for the delivery of two new Jobs & Benefits Offices.	**Likely to be achieved with some delay**
By September 2013, to have developed and agreed a Telephony Delivery Plan to support implementation of Universal Credit in April 2014.	**Achieved**
By March 2014, to ensure that the Agency has delivered its services within acceptable budget tolerances of 0% overspend and no more than a 2% underspend.	**Achieved**
By March 2014, to ensure that the Agency achieves its Savings Delivery Plan target of £11.57m.	**Achieved**

By March 2014, to have issued 99% of Certificates of Recoverable Benefits within 4 calendar weeks, with an accuracy of 98%.	Achieved
By March 2014, the Agency will have sought to recover £19m in relation to benefit overpayments and specified third party debts.	Achieved
By March 2014, to have progressed the Fraud and Error modernisation programme.	Achieved
By March 2014, to have sustained or reduced the total for overpayments, expressed as a percentage of overall expenditure, against the figure reported in 2012-13.	Achieved
By March 2014, to have sustained or reduced the total for underpayments, expressed as a percentage of overall expenditure, against the figure reported in 2012-13.	Not Achieved
INTERNAL PROCESSES	
By October 2013, to have introduced new arrangements to enable mandatory reconsiderations and direct lodgements for benefit appeals.	Not Achieved
By December 2013, to have implemented Mail Opening, Scanning and Image Circulation (MOSAIC).	Likely to be achieved with some delay
By March 2014, to have implemented the Work Capability Assessment (WCA) Review Year 3 recommendations.	Achieved
By December 2013, in conjunction with DWP, to have completed the Work Capability Assessment (WCA) Year 4 review.	Achieved
By October 2013, to have developed and agreed a strategy for the future delivery of Telephony Services in the Agency.	Achieved
By November 2013, to have completed the telephony modernisation and desktop modernisation by March 2014.	Likely to be achieved with some delay

By March 2014, to have established a Debt Control function with responsibility for the strategic direction of managing and reporting on debt.	Achieved
By December 2013, to have implemented an Agency wide Change Management Framework.	Achieved
By September 2013, to have completed the review of the Central Programme Management Office (CPMO) and put in place an Action Plan to take forward the recommendations.	Achieved
By March 2014, to have put in place a Project Delivery Capability Strategy for the Agency.	Likely to be achieved with some delay
By August 2013, to have reviewed and renewed the Agency's authorised Sub-Hub partnering arrangement with the Centre of Procurement Expertise.	Achieved
By March 2014, to have ensured that all major projects have undergone at least one appropriate review, within the year.	Achieved
By March 2014, to have ensured that workforce planning is delivered effectively in line with business needs and meets the target of 97% of baseline posts filled.	Achieved
By March 2014, to progress the strategic AME profile covering the SR2010 and SR2014 periods reflects the developments in Welfare Reform.	Achieved
By March 2014, to progress the strategic DEL profile covering the SR2010 and SR2014 periods.	Achieved
By March 2014, to have reviewed 5 of the Agency's information management security arrangements.	Achieved
By March 2014, to have implemented an updated information management plan to protect personal customer data.	Achieved
By March 2014, to have revised Business Continuity arrangements for three of our major processing centres.	Achieved
By March 2014, to have achieved at least a satisfactory Head of Internal Audit opinion in respect of the Agency's overall risk management, control and governance framework.	Achieved

ORGANISATION AND PEOPLE	
By March 2014, to have implemented a programme of work to embed the Agency's Vision and Values.	Likely to be achieved with some delay
By March 2014, to have agreed and implemented a programme of activity to embed the Universal Credit Vision and Culture.	Likely to be achieved with some delay
By March 2014, to have implemented the Resourcing Strategy for staffing needs for welfare reforms.	Achieved
By March 2014, we will have provided staff with an average of 3 days learning and development opportunities.	Achieved
By September 2013, to have commenced the implementation of a programme of learning and development to support and facilitate the delivery of Welfare Reform whilst assisting business areas maintain continuity of service.	Likely to be achieved with some delay
By June 2013, to have completed the SO/DP Leadership Development Programme.	Achieved
By March 2014, to have rolled out the EO1 Leadership Development Programme.	Achieved
By September 2013, to have commenced the roll out of ILM 3 for EO2s / SSO1s, with line manager responsibilities.	Achieved
By March 2014, to have implemented an Internal Communications Plan.	Achieved
By March 2014, to have improved the level of employee engagement, as measured by the Staff Engagement index score, by 5% on the March 2013 results.	Likely to be achieved with some delay
By March 2014, to have implemented the Health and Wellbeing action plan to achieve a reduction in the average staff absence levels to meet sick absence target of 11.4 days.	Achieved

Key Financial Results

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

The table below shows how much we spent against budget for 2013-14. These exclude non-cash costs.

		BUDGET (in £ millions)	RESULT (in £ millions)
Resources Budget	For Northern Ireland Services	£184.8	£182.4
	For Great Britain Services	£18.9	£18.1
Capital Budget	For Northern Ireland Services	£0.4	£0.2
	For Great Britain Services	Nil	Nil
Total Budget/Result		**£204.1**	**£200.7**

The Agency is committed to a prompt payment to businesses within 30 days.
The percentage of payments made on time by the Agency in 2013-14 is 95.39%.

Sustainability Report

A Sustainability Report is produced by the Department and this is contained within its 2013-14 Resource Accounts. The DSD Action Plan can be accessed on the DSD Internet Site in the following location:

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

Key Risks

A robust risk management process is in place to ensure that the risks faced by the Agency are identified, managed and that appropriate controls are in existence and utilised accordingly.

At the beginning of 2013-14 Agency Management Board (AMB) conducted a review of its Corporate Risk Register for 2012-13, alongside the Agency's Balanced Scorecard for 2013-14, and agreed the key corporate risks for 2013-14. One new risk area was identified in relation to the failure to implement cultural change impacting the delivery of our vision and service proposition. In line with the Risk Management Framework we escalated the existing risks in relation to HR policies and strategies for Welfare Reform and also delays to the passage of the welfare reform legislation, to the Departmental Board. AMB was content that the remaining risks could be adequately managed via the Agency's risk management arrangements.

Details of our corporate governance and risk management arrangements are included in the Governance Statement on pages 75-85.

Stakeholder and Customer Insight and Engagement

In order to inform and shape policy development, communication and operational delivery, the Agency is committed to advancing its Customer Insight research.

A portfolio of research for the Agency has been developed, alongside a network of relationships with customer representative groups and the community and voluntary sector. This provides the Agency with greater information upon which to base its future services and meet the needs of its customers.

Throughout the year there has been regular engagement at a senior level with representatives of the independent advice sector to consider strategic and operational issues and the impact of Welfare Reform for the sector.

The Agency remains committed to improving the uptake of benefits across client groupings including older people, those with a disability, carers and their families to ensure that they receive the financial assistance, services and support to which they are entitled.

Our People

At year end there were 5,228 staff employed in the Agency which comprises a gender split of 3,142 female staff and 2,086 male staff.

As detailed in the 'Organisation and People' perspective of our Balanced Scorecard, page 16, we set a number of specific targets for 2013-14 around transforming our structure and culture, supporting our people, building a strong team of leaders and having staff who are motivated and informed. These were underpinned through a commitment to provide staff an average of 3 days training and development opportunities. At year end we achieved our training target and rolled out the successful Leadership Development Programme to junior managers, with particular emphasis on those staff who have line management responsibilities.

We also recognise the need to support our staff through the reform and modernisation changes and during the year we introduced and embedded a range of interventions to build capability and capacity including, an internal communications strategy, a change management framework and a culture change programme.

The Agency supports the health and wellbeing of its staff. We have contributed to the ongoing development of the DSD WELL Programme (managed by Departmental Human Resources Division), encouraging our people to take responsibility for their health and wellbeing.

The Programme is based on the wider NICS WELL Programme and the NICS People Strategy, with the central themes of providing support, education and information on a wide range of health and wellbeing issues, engaging and empowering our people to improve their wellbeing and that of others. This provides a clear focus for staff and managers to maintain and promote healthy lifestyles, prevent ill-health and reduce sick absence.

Future Developments

During the year ahead the Agency will continue its focus on delivering quality public services by ensuring financial support is available to people who find themselves out of work, are too ill to work or who have a disability which impacts on their mobility. We will also ensure that pensioners receive the level of pension to which they are entitled and we will continue to provide financial assistance to people in real need or who face financial emergencies.

Over the next 12 months the Agency will continue to prepare for the delivery of the proposed changes to the social security system as set out in the Northern Ireland Welfare Reform Bill (NI) 2012. We will continue to engage with our customers and key stakeholders as we move to the implementation phase of the changes to the system.

The Agency is continuing to develop its processes to meet the requirements of the new cap on welfare spending which was confirmed by the UK Chancellor's Budget Statement of 19 March 2014. The cap which is set at a UK level is intended to ensure that welfare spending remains sustainable. The cap will apply formally from 2015-16 onwards. The Agency will continue to work with the Department for Work and Pensions, Department of Finance and Personnel and Her Majesty's Treasury to gain further clarity and understanding of the Welfare Cap, how it will work and how it will impact Northern Ireland.

Further information in relation to **Customer Services, Our People and Future Developments** is provided on pages 36-51.

TOMMY O'REILLY
CHIEF EXECUTIVE
27 JUNE 2014

Directors' Report

Our Organisation

The Agency is managed by a six-member Board and at year end 5228 staff were employed in the Agency. The majority of benefits are delivered through a number of service centres; these are Disability and Carers Benefits, Incapacity Benefits, Employment and Support Allowance, State Pension and State Pension Credit. Income Support, Jobseeker's Allowance and Social Fund are delivered through our network of 35 local offices. Services are also provided through the Benefit Shop in Belfast City Centre and a number of support branches. The Belfast Benefit Centre provides services for the Department for Work and Pensions (DWP) in Great Britain.

We work under the terms of a framework document, which sets out our relationship with the Minister and the Department.

Members of the Agency Management Board during the year were:

Conflicts of Interest

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

Pension Schemes and Associated Liabilities

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

Chief Executive	**Tommy O'Reilly**
Director for Universal Credit (until August 2013)	**Dr Colin Sullivan**
Director for Universal Credit (from September 2013)	**Brian Doherty**
Director of Finance and Commercial Services	**Joyce Bill**
Director of Pensions, Disability and Corporate Services	**John McKervill**
Director of Working Age Services (until August 2013)	**Brian Doherty**
Director of Working Age Services (from September 2013)	**Pat Magee**
Director of Organisational Change (until July 2013)	**Sharon Gallagher**
Director of Organisational Change (from August 2013)	**Geraldine Brereton**

Remuneration Report (Part 2) and in notes 1.15 and 2.1 to the accounts.

Political and Charitable Donations

The Agency made no political or charitable donations during the year.

Audit

These accounts have been audited by the Comptroller and Auditor General for Northern Ireland whose Certificate and Report appear on pages 86 and 174 respectively. The notional audit cost is shown in Note 3 to the accounts. There was no remuneration paid for non-audit work during the year. As Accounting Officer, so far as I am aware, there is no relevant audit information of which the auditors are unaware. As Accounting Officer, I have taken all the steps that I ought to have taken to ensure that I am aware of any relevant audit information and to establish that the auditors are aware of that information.

Financial Risk Management

In relation to financial instruments the Agency's financial risk management approach is as follows:

Liquidity Price Risk

The Agency's Resource and Programme expenditure requirements are financed by funds voted by the Northern Ireland and Parliament as is its non-current asset expenditure. It is not, therefore, exposed to significant liquidity risks.

Credit Risk

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

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 is the amount of the receivable or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Agency is exposed to is the balance of the net Benefit Overpayment Receivables and the net Social Fund Loans. (Details on these receivable balances are included in Note 13 of the Agency accounts). The gross amounts for these receivables and the net balances are included in the table overleaf.

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

The economic downturn may also increase the amount of credit risk the Agency is exposed to for future reporting periods. This may potentially impact on the progress of recovery 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 Agency has discounted the forecast future cash flows for

	Gross Receivables	Impairment & Discounting Debt	Net Receivable
Statement of Financial Position	£'000	£'000	£'000
Receivables (amounts falling due less than one year): Note 13.1			
Contributory Benefits	917	(270)	647
Non-contributory Benefits	8,629	(1,982)	6,647
Funeral Loans	134	(4,434)	(4,300)
Other Loans	52,344	(500)	51,844
CRU Debt	718	(194)	524
Receivables (amounts falling due more than one year): Note 13.2			
Contributory Benefits	12,566	(9,441)	3,125
Non-contributory Benefits	89,697	(48,715)	40,982
Funeral Loans	5,489	(1,045)	4,444
Other Loans	43,714	(3,266)	40,448
	214,208	(69,847)	144,361

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.

Sensitivity Analysis

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

Post year Events

There were no post statement of financial position events which could have had a material effect on the state of affairs of the Agency as at 31 March 2014.

Staff Engagement

As a key business priority, the Agency is committed to improving staff engagement and embedding its vision and values. The purpose of the SSA Internal Communications Strategy which covers the period 2013 - 2016 is to improve knowledge, understanding and staff engagement within the Social Security Agency. Corporate communications within the Agency is managed by the Organisational Change Directorate. Over the past 12 months, the Directorate has rolled out a range of communication tools as part of 'Rising to the Challenge'. This was introduced in response to feedback from the staff attitude survey but has now evolved to become a method of two-way communication and engagement with our staff.

A range of tools are being used to communicate and engage with staff. These tools include Teamtime, Staff Attitude Surveys, Board Walk, Board Talk, the SSA Zone and the SSA Newsletter. The Agency has created feedback loops to ensure communications are two-way. We measure our communication with a Balanced Scorecard target of increasing staff engagement by 5% on 2013 SSA Survey results. The SSA Intranet Zone was launched in January 2014. The purpose of the Zone is to improve employee engagement and communication across the Agency and it was developed as a key communication tool. It provides an insight into what is currently happening within the Agency and what the future changes mean for staff.

The Agency is committed to building on its Internal Communications Strategy to continue improving communications across the organisation.

Managing Attendance

Effective attendance management remains a key priority for all Agency managers. The overall Agency target for 2013-14 was 11.4 working days lost per member of staff. NISRA's provisional estimate indicates that the Agency is set to achieve this, with an estimate of 11.4 working days lost per staff member in 2013-14. Active case management by line managers is key to managing attendance. Attendance Management Unit and local managers work closely in partnership throughout long term absences holding case conferences on a regular basis. The NICS attendance management procedures are applied firmly and fairly.

Disabled Employees

The Department aims to provide access to the full range of recruitment and career opportunities for all people with disabilities and to establish working conditions that encourage the full participation of disabled people. Our disability liaison teams offer support, guidance and advice on disability-related issues to those staff and their managers. Reasonable adjustments will be made for staff with disabilities and, in the case of physical disabilities, these adjustments have included the provision of specialised furniture and computer equipment and adaptations to buildings. This ensures that the Agency discharges its responsibilities in line with the Disability Discrimination Act (1995) and the Disability Discrimination Northern Ireland Order (2006).

Dignity at Work

The Agency is an equal opportunities employer, committed to promoting and maintaining a harmonious working environment for all. Managers regularly communicate Equal Opportunities awareness to all of the Agency's staff.

The new Northern Ireland Civil Service mandatory training package 'Diversity Now', which builds upon the Agency's commitment to equality, is being delivered to all Agency staff.

Industrial Relations

The Agency's commitment to good industrial relations throughout its business areas continues to be of paramount importance and regular meetings took place during the year between Agency Trade Union Side (ATUS) and senior management to discuss the various programmes of work within the Agency.

A review of industrial relations arrangements across the different business areas of the Department for Social Development is currently being taken forward and representatives from the Agency are involved in this work. The aim of the review is to develop a new Industrial Relations Framework that will set out a uniform approach for conducting industrial relations across all constituent parts of the Department including the Agency.

Further information in relation to Our People is provided on pages 44-45.

Data Protection

The number of Personal Data-related Incidents in the Agency during 2013-14 is summarised in the table below.

The Agency places considerable emphasis on the secure handling and transfer of all data and continues to implement measures to strengthen the security of information in its possession. All personal data related incidents are fully investigated to see if the existing controls can be improved and if any disciplinary action against staff is appropriate. Throughout the year new guidance has been issued and other policies have been revised and issued to our staff. These included: issuing guidance on Protection of Departmental Information, use of email when sending protectively marked information, updated Departmental Security Handbook, revised guidance issued on Device Lockdown on IT Assist Network and NICS Laptop, Mobile Device and Information Assurance policies. A Departmental Information Asset Owner Handbook was made available to support Information Asset Owners in understanding and carrying out the role, as well as a desk aid to help staff identify bogus callers who attempt to get information to which they are not entitled.

The Agency has also strengthened its approach to information security on a number of fronts.

During 2013-14, a dedicated Information Security Unit was established within the wider Benefit and Information Security Division, to support the work of the Information Asset

PERSONAL DATA RELATED INCIDENTS 2013-14	
Number of incidents where personal data has been lost	2
Number of incidents where access to personal data has not complied with Data Protection requirements	3

Owners in leading the Agency's focus in this important area of the business. The team took forward a programme of continual improvement, with five key areas of the Agency's information security selected for review. Those reviews, focused on areas of high risk including third party information handling, bogus callers and information asset controls, with recommendations for further strengthening agreed by the Agency's Management Board. Implementation of those recommendations is being taken forward in the current year.

Aside from risks to information through process or insecure handling, the other key area of risk is access to customer details held on the Agency's computer systems. A specialist team of system access analysts, known as the Audit trail Analysis team, was also established during the 2013-14 year and forms part of the wider Information Security Unit. The work of the analysts is target driven and focuses on risk, with cases selected for analysis through a series of rules developed with DWP colleagues.

Future Developments

Information on the future developments within the Agency has been included in the Strategic Report at page 19.

TOMMY O'REILLY
CHIEF EXECUTIVE
27 JUNE 2014

Business Performance

The Agency is responsible for the provision of a wide range of benefits and services to our customers. It maintains a benefits caseload of approximately 584,940 for individuals living in Northern Ireland with 904,000 individual benefit accounts. During 2013-14 the expenditure on social security benefits was approximately £4.8bn.

The Agency also provides a benefits processing service for the Department for Work and Pensions (DWP), covering approximately 208,549 customers in London, from the Belfast Benefit Centre. The Benefit Centre also delivers the Benefit Cap Welfare Reform initiative nationally for DWP.

The Agency's 4 main **operational business areas** during 2013-14 were:

- **Working Age (Central)** which administers Incapacity Benefit and Employment and Support Allowance;
- **Working Age (Network)** which administers Income Support, Jobseeker's Allowance, allocation of National Insurance numbers, Social Fund and the Belfast Benefit Centre and Benefit Uptake activity;
- **Pensions, Disability and Corporate Services** which administers State Pension, State Pension Credit, Disability Living Allowance, Attendance Allowance and Carers Allowance, monitoring and reporting of financial accuracy, levels of Fraud and Error and Decision Making standards, error reduction activity and counter fraud activity; and
- **Debt Management** which manages the recovery of Social Security Benefits which have been overpaid.

Performance Targets

Pensions, Disability and Corporate Services

State Retirement Pension accounts for 41% of the total benefit expenditure and the financial accuracy and claims clearance targets were met during the reporting period. The financial accuracy target of 99% was achieved at 99.9%. The claims clearance target of 7 days was achieved at 6 days.

Over 97% of State Pension claims are now made and processed via telephony, with an average call time of 11 minutes.

State Pension Credit marginally failed to achieve their financial accuracy target. The existing Accuracy Improvement Plan has been refreshed to take account of the latest findings from accuracy monitoring. The plan contains a range of activities to drive up performance in this area. The claims clearance time target of 9 days was achieved at 7.2 days, an improvement on last year's performance by 1.2 days.

Continuing the good performance over the past few years claims clearance results for Disability Living Allowance (DLA) have continued to exceed set target values. The claims clearance times target of 37 days was achieved at 35.1 days. The financial accuracy target of 99% was achieved at 99.8%.

Working Age Benefits (Central)

The Employment and Support Allowance (ESA) financial accuracy target was increased from 96% to 97% for 2013. ESA achieved

96.9% and has met the increased target within statistical tolerance. The claims clearance target of 14 days was achieved at 11.9 days.

The ESA telephony service remains highly active with over 315,000 calls received and over 26,000 claims being taken by telephone. The average response rate is over 90% across both the new claims and enquiry lines.

Dr Paul Lichfield published the fourth independent review of the Work Capability Assessment (WCA) process on 12 December 2013. Dr Lichfield recognised that 'the WCA' has evolved since its introduction and will continue to evolve as circumstances change.

The Agency implemented a number of improvements to the Work Capability Assessment process in 2013-14, including:

- Changes to the descriptors relating to cancer sufferers which expanded the categories of cancer treatments under which a claimant may be treated as having limited capability for work related activity; and
- The introduction of a fast track process for making decisions on claims made under the special rules provision for customers with terminal illness and limited life expectancy.

Working Age Benefits (Network)

By the end of March 2014 the Jobseeker's Allowance (JSA) register had reached 57,695, a 12% decrease from March 2013 when the register was 65,236. The JSA financial accuracy target of 99% was achieved within statistical tolerance at 98.9%; the claims clearance target of 11 days was achieved at 10 days. The Agency continues to deliver services effectively to its customers through close working with Department for Employment and Learning (DEL) colleagues across the Agency's network of Jobs & Benefits Offices.

Income Support also met its claims clearance target of 8 days at 6.5 days and its financial accuracy target of 99% was achieved at 99.1%.

The total number of applications made to the Northern Ireland Discretionary Social Fund scheme for 2013-14 was 334,665 compared to 349,336 in 2012-13, a reduction of 3.8%. Within that, Crisis Loan applications reduced by 6.0%, Budgeting Loan applications reduced by 0.7% and Community Care Grants by 7.4% compared to 2012-13.

Fraud and Error Reduction

The Agency's Fraud and Error Reduction Board sets the strategic direction, evaluates operational responses and is responsible to the Agency Management Board for providing performance assurance. Mitigating the losses from fraud and error is one of the Agency's key strategic objectives. The response to this challenge is through a multi-dimensional approach involving case intervention, checking of cases to prevent or detect error, staff accuracy meetings, customer compliance interviews and criminal investigations. The intention is to prevent, detect and correct fraud and error and apply penalties where appropriate to deter further abuse.

Assimilating information and cross checking data sources identifies areas of greater risk. For example, data matching through the National Fraud Initiative, co-operation with other agencies, such as the Department for Social Protection, and intelligence analysis facilitate direction of counter fraud and error activities to cases or issues of greatest risks. Referrals can then be managed in ways commensurate with the risk to ensure resources match the challenge presented by channelling cases to customer intervention, customer compliance or fraud investigation. Ultimately the object of any such response is to improve financial accuracy and to reduce fraud and error. During the reporting period application of the risk based approach described provided an effective method of identifying those cases requiring adjustment and ensured error reduction activity represented best value for money.

Improving financial accuracy is as much about detecting and correcting underpayments as it is about overpayments. Addressing underpayments is a key function of Error Reduction activity.

This year almost 70,500 checks were carried out by Error Reduction Division funded staff. This activity, aimed at identifying and correcting error, resulted in the adjustment of just over 10,900 cases. Around 4,700 of these cases benefited from an increase in awards which totalled over £12m whilst overpayments of a monetary value in excess of £16.6m were also identified in just over 6,200 cases.

Across the Agency combined activity resulted in benefit adjustment of a total monetary value of £28.7m.

Customer Compliance activity has continued to generate very positive outcomes. In the past year Compliance staff discovered changes in circumstances resulting in over 27% of cases examined. This change rate is consistent with previous years and equates to over £3.5m in benefit adjustments from 2869 case interviews. This activity in turn allows fraud investigators to focus on high risk fraud cases and helps to achieve maximum results from across the spectrum of fraud investigation and compliance activity.

As a result of investigations into alleged criminality, 453 people were convicted in the Courts for fraud equating to £4.54m. The Agency also applied 679 Administrative Penalties.

In addition to £11.5m monetary value of adjustment (MVA) identified through criminal investigations carried out by the Agency's Benefit Security Services, loss through cheque fraud amounted to a further £21,224.

Running costs for the Agency's Financial Investigation Unit in the year ending 31 March 2014 were approximately £331,100. The Unit's intervention brought about the recovery of £443,408 of assets criminally obtained. This figure can be broken down as follows:

- 24 Confiscation Orders through the Courts amounting to £318,111;
- 7 Voluntary payments negotiated prior to confiscation totalling £88,622; and
- 1 Compensation Order to the value of £36,674.

During 2013-14 £314,062 was paid to the NI Court Service in respect of Confiscation Orders, this earned the Agency incentivisation of £70,664 as part of the Asset Recovery Incentivisation Scheme.

The Agency maintains its co-operation with the Northern Ireland Audit Office on the National Fraud Initiative (NFI), and has identified exercises to expand the range of data matches to include farm subsidy payments.

Work on the NFI referrals arising from the 2008 NFI exercise is nearing completion. Of the 4,612 cases received, 1,383 potential customer error cases have been processed to date through the Agency's error reduction and customer compliance programmes, resulting in monetary value of adjustment of £289,000. Of the 1,238 cases (647 Social Security Agency and 591 Northern Ireland Housing Executive) passed to the Agency's Benefit Investigation Service for fraud investigation 1,229 have been taken to conclusion, with overpayments of £5.85m identified and 172 convictions. Work is continuing on the remaining 9 cases.

The 2010 NFI 2 exercise resulted in 9,000 referrals to the Agency. All cases were examined to determine risk, with the initial sift almost complete. To date, errors have been identified in 246 cases, resulting in monetary value of adjustment of £715,000.

Of the 486 cases from NFI 2010 sent for consideration of criminal investigation 393 have been finalised, resulting in 14 administrative penalties, 18 convictions and overpayments totalling £651,000. A further 93 cases are ongoing.

The NFI 2012 exercise involved new data sharing arrangements with the participation of Department of Agriculture and Rural Development exchanging Single Farm Payment data.

In total, including NIHE cases, over 80,000 referrals will have to be checked. The process will involve statisticians to devise how best to sift the outputs to identify cases posing the greatest risk.

Outside of its business as usual commitments the Agency is progressing a major fraud and error modernisation programme to meet the challenges presented by customer expectations and changes to the working environment.

In preparation for introduction of benefit and welfare reforms, the focus has been the mitigation of any potential future risks and to create an infrastructure necessary to deal promptly and effectively with fraud and error.

A dedicated Fraud and Error Project team is taking forward a modernisation programme to enhance the Agency's response to fraud and error in readiness for welfare and pension reforms.

The team is working closely with the Department for Work and Pensions (DWP), Her Majesty's Revenue and Customs (HMRC) and relevant Northern Ireland stakeholders on the implementation of initiatives contained in the DWP/HMRC Fraud and Error Strategy, to realise their application to Northern Ireland.

PRINCIPALLY THESE INITIATIVES ARE:

- **Single Investigation Service (SIS)**
  April 2013 saw the establishment of the new Single Investigation Service which tackles customer fraud and error across all social security benefits by investigating everything from those who commit fraud to those who are negligent in managing their claim.

  Phase 1 of the Service brings together the Agency's staff tackling customer fraud and error into a single, more cohesive, organisation.

  Plans are being made for Phase 2 of the Single Investigation Service and the considerations for co-locating Tax Credit fraud investigations to enable joint prosecutions. Within Phase 2 the fraud hotline service will also be expanded to accommodate reporting of all benefit and tax credit frauds.

- **IT Systems**
  In participation with DWP, the project is developing new IT systems and new data sources to enhance future fraud and error targets - with particular focus at the gateway- the point of entry to a benefit claim.

- **Legislative Initiatives (Increased Fraud Penalties Loss of Benefit)**
  The Welfare Reform programme will see liaison with the Northern Ireland Executive to deliver required legislative changes to implement an enhanced range of options to deal with customer fraud and error.

- **Better Communication**
  The Agency will consider how best to publicise fraud outcomes and claimant responsibilities to inform customers and staff of the consequences and the possible penalties of being convicted for fraud.

Debt Management

Debt Recovery

The Agency has responsibility for the recovery of public funds where benefits have been incorrectly paid out through fraud or error.

The Agency recovered a total of £19.2m in respect of benefit overpayment and specified third party debts, exceeding its target of £19m.

During the year, the Agency published a Debt Strategy, setting out a three year programme of work to ensure that the SSA builds capacity and modernise its systems, processes and structures to maximise the recovery of Government Debt whilst providing support to those who need it.

Compensation Recovery

The Agency is responsible for the recovery of any specified Social Security Benefits and Health Service costs which are paid as a result of an accident, injury or disease for which compensation has been awarded.

The two Compensation Recovery targets reflect the factors which drive the level of recovery, the requirements of recovery legislation and maintain parity with our counterparts in Great Britain. These are to have issued 99% of Certificates of Recoverable Benefits within 4 calendar weeks, with an accuracy of 98%. Both of these targets have been exceeded at 99.99% and 99.60% respectively.

The Agency recovered a total of £5.77m in relation to Social Security benefits and £11.11m of Health Services charges.

Welfare Reform and Modernisation

Introduction

The Welfare Reform Bill (NI) 2012 which was introduced to the Assembly on 1 October 2012 will introduce the most substantial and widespread changes to the welfare system in the last 60 years. As these changes, aimed at making the benefit system fairer, more affordable and better able to tackle poverty, worklessness and welfare dependency, will impact the Agency's existing structure and its operational and IT delivery models. A programme of activity is being taken forward to put in place the necessary capacity, infrastructure and systems.

The Welfare Reform Bill (NI) 2012 is currently at the Consideration Stage and implementation dates for the various changes to the benefit system are subject to the timescale for the Bill completing the legislative process.

Universal Credit

The Agency continues to take forward a programme of activity to deliver Universal Credit in Northern Ireland. During 2013-14 the programme team progressed the design of the future delivery model; development of local implementation plans; engaged with the Department for Work and Pensions on the Northern Ireland specific requirements for the Universal Credit Information and Communication Technology system; undertook an extensive programme of customer research; and a programme of consultation and engagement with impacted stakeholders.

To assist with the development of the criteria for the application of payment flexibilities an Oversight Board has been established and work is well advanced on the development of the actual criteria to be applied.

The programme has also worked with other Northern Ireland government departments on the impact of Universal Credit for passported benefits.

Incapacity Benefit / Income Support Reassessment

During the year the Agency continued the programme to reassess 83,500 existing Incapacity Benefit, Severe Disablement Allowance and Income Support (paid on the grounds of incapacity) customers for entitlement to Employment and Support Allowance. The programme commenced on the 28 February 2011 and all cases due to be reassessed have now started the journey.

The reassessment process requires customers to undergo a Work Capability Assessment to determine their entitlement to claim Employment and Support Allowance. For those customers who are disallowed Employment and Support Allowance they will be given the option to claim another benefit appropriate to their circumstances or the customer will move off benefit altogether.

Whilst planning for reassessment, the Agency recognised that many of its Incapacity Benefit and Severe Disablement Allowance customers would be vulnerable and therefore put in place additional support and advice at key stages in the reassessment process. This includes a dedicated team to provide specific advice and support to those customers who are found fit for work as a result of reassessment. This team proactively contacts these customers, provides comprehensive information on the options open to customers at that point in time and provides support for any appeal or claim to another benefit.

In addition, the Agency has developed a modified process for the reassessment of Severe Disablement Allowance claims to consider cases on the available information. This ensures that severely disabled and vulnerable customers are only required to complete forms or provide additional information to the Agency if there is insufficient information available to make a decision.

The Agency also initiated an extensive communication programme prior to reassessment involving a wide range of customer representative groups and has an ongoing programme of engagement with groups representing vulnerable customers.

Discretionary Support Provision

Informed by the Social Fund Research study, the Agency is developing plans for a Discretionary Support eligibility and operating model for the delivery of discretionary loan and grant services in Northern Ireland.
The development of an in-house computer system to support the delivery of the new Discretionary Support provision is well advanced and a programme of communication and awareness events has been delivered to internal and external stakeholders. Primary legislation has been drafted and will be introduced as a government amendment to the Welfare Reform Bill (NI) 2012. Supporting Regulations are also being drafted.

Personal Independence Payment (PIP)

From April 2013 in Great Britain, a new benefit, Personal Independence Payment, started to replace Disability Living Allowance for disabled people aged 16 to 64. Some of the key changes include the introduction of a new objective assessment; the introduction of periodic reviews of awards; and simplification of the application process.

Throughout 2013-14, the PIP Project team has continued to work closely with the Department for Work and Pensions (DWP) to put in place the necessary infrastructure and systems to deliver and implement Personal Independence Payment in Northern Ireland. This is subject to approval by the Northern Ireland Assembly. Agency senior officials continue to engage with DWP and Capita Business Services Ltd, the contracted Assessment provider, regarding Northern Ireland specific requirements.

The PIP Project team continues to engage regularly with Customer Representative Groups and has delivered a number of information and awareness sessions during 2013-14. A number of these sessions were attended by Capita Business Services Ltd. This provided local advice and disability organisations with the opportunity to engage directly with the Assessment Provider.

Employment and Support Allowance

Employment and Support Allowance legislative changes have been described as essential elements in creating “a fair and affordable platform” on which to introduce Universal Credit. The proposed changes are:

- time limit contributory Employment and Support Allowance to 12 months for customers who are in the Work Related Activity Group; and
- to prevent new Employment and Support Allowance youth cases being awarded.

The legislative changes form part of the Northern Ireland Welfare Reform Bill which is subject to Ministerial and Assembly approval. The Agency has developed a detailed implementation plan to support the introduction of the ESA Legislative Changes when the Welfare Reform Bill has completed its remaining Legislative stages.

Benefit Cap

The Agency has developed a detailed implementation plan to support the introduction of the Benefit Cap when the Welfare Reform Bill has completed its remaining Legislative stages.

By introducing the proposed Benefit Cap in Northern Ireland, the Agency will be contributing towards the ongoing delivery of the Welfare Reform and Modernisation change agenda. The policy intent is to promote fairness between those in work and those receiving benefits by ensuring households in receipt of out of work benefits no longer receive more in state support than the average take home pay for working households.

It is proposed that Benefit Cap will be set at £26,000 per annum which is equivalent to the average wage after tax and National Insurance contributions have been deducted. There are two upper limits set which will determine whether the cap should apply:

- £350 per week if the claimant is single and either has no dependants or their dependants do not live with them, or
- £500 per week for couples with or without dependants and lone parents with dependants living with them.

Pension Reforms

The Agency has commenced a programme of activity to ensure the delivery of the changes arising from State Pension Reforms which are expected to be implemented over the next number of years beginning in 2016.

Mail Opening, Scanning and Image Circulation (MOSAIC)

The MOSAIC project was established to provide a consistent and re-usable scanning capability, replacing paper based document management processes with access to scanned imaging, digital storage, automated workflow and information management.

The Project opened a Mail Opening Unit within Limavady Jobs & Benefit Office on the 28 April 2014. The Mail Opening Unit provides an opportunity to modernise services by using the latest technology and most efficient methods of transferring and sharing information throughout the Agency whilst maintaining parity with DWP.

The Agency's MOSAIC Project is a key enabler for both the introduction of Personal Independence Payment and Universal Credit. The operating model for the new benefits are based on the assumption that all incoming post will be indexed and stored digitally within the DWP Document Repository Service.

Telephony Strategy

The Agency launched its Telephony Strategy in November 2013. This sets out a vision and Road Map for how we will deliver our telephony services for the next five years. The Strategy which encompasses all business areas, will inform future investment decisions and will help manage changes to existing services as we move to delivery of digital services.

Maximising the efficiency of the Agency's service centres in the future will help us meet the commitments in our Vision and Values and the needs of our current and future customers.

The Telephony Strategy contains a number of recommendations which aim to improve the overall service we provide. These include:

- Reducing the volume of telephone numbers available to customers;
- Introducing new technology to support voice recording and call steering;
- Standardising all call reason codes across the Agency;
- Implementing a simple, tactical Short Messaging Service (SMS) and
- Implementing a suitable queuing technology.

Estate Modernisation

The Estate Modernisation Project is responsible for the modernisation of office infrastructure within Strabane, North Belfast and Downpatrick to meet the Agency's objectives and the strategic enabling work associated with the refurbishment of Castle Court. The project has been developing separate business cases for each location.

The key driver for the project is the urgent need for new or replacement accommodation within the Strabane, North Belfast and Downpatrick areas. The new office designs will take into account the need to future proof for welfare reforms, in particular the delivery model for Universal Credit which will impact on the layout of front line offices.

Approval from DFP was received for a new Jobs & Benefit Office in Strabane on 10 October 2013 and work continues on obtaining a contractor for the new building. Following discussions with the Department of Agriculture and Rural Development (DARD) the new office will also accommodate DARD staff.

Debt Transformation

The Debt Transformation Project has progressed delivery of the aims of the Agency's published Debt Strategy. This has included the establishment of a new Debt Control function with responsibility for the strategic direction of managing and reporting on debt.

Improved debt recovery processes within the Agency will recognise the focus across UK government on debt, the implications of Welfare Reform and the recommendations from the NIAO in relation to debt recovery.

Customer Services

Delivering services to our three main customer groups has been the focus of our work programme for 2013-14. Throughout the year we have sought to improve the quality, accessibility and delivery of services to all our customers and continue to build closer liaisons with a wide range of stakeholders and delivery partners in the community and voluntary sector.

Benefit Uptake

Ensuring that our customers are paid the right benefit at the right time is a key strategic objective for the Agency. Improving the uptake of benefits underpins this objective and is a key building block in the 2011-2015 Programme for Government. Investment of over £5.6m to date has now generated £67m in additional annual benefit for people across Northern Ireland.

The Agency is committed to improving the uptake of benefits across client groupings including older people, those with a disability, carers and their families to ensure that they receive the financial assistance, services and supports to which they are entitled.

Building on the success of the 2012-13 programme, in July 2013, the Minister made a longer term commitment to this work when he launched Maximising Incomes and Outcomes, the Department's 3 year plan for Improving the Uptake of Benefits. Its vision is that every individual and household across Northern Ireland is receiving all social security benefits to which they and their families are entitled.

On the 23 January 2014 the Social Development Minister announced the results of the 2012-13 Benefit Uptake Programme. Almost £17m in new and additional income was generated for nearly 5,000 people. People were better off by an average of £65 per week.

Implementation of Maximising Incomes and Outcomes and the 2013-14 Benefit Uptake programme is well under way. The 2013-14 programme aims to build on previous success and consists of:

- Direct Targeting - Targeting 25,000 older people offering a benefit entitlement check carried out by a contracted independent advice sector partner (currently Advice NI).
- Indirect Targeting - The "Make the Call" advertising and promotion campaign aims to increase the income and further raise awareness of potential new or additional benefit entitlement amongst older people (broadly defined as aged 60) on low incomes, older people living with care needs and/or a disability and older people as carers themselves.
- Innovation and Partnership working - Funding was awarded to four third sector partnership projects, to deliver fresh and innovative approaches to reach harder to engage client groups with potential unclaimed entitlement.
- The Community Outreach Service - An integral part of its service to the Agency's business branches is carrying out home visits to vulnerable claimants to assist with Agency business. It delivers benefit uptake activity by holding community promotional events and clinics, providing redundancy support to businesses and individuals and taking referrals from a wide range of partners.

Liaison with Independent Advice and Voluntary Sector Organisations

Throughout the year there has been regular engagement at a senior level with representatives of the independent advice sector to consider strategic and operational issues and the impact of Welfare Reform for the sector.

Senior Pension Centre managers meet annually with representatives from the five Northern Ireland Health Trusts. These meetings provide a forum for the Pension Centre to engage directly with the Trusts in relation to administrative processes and to deal directly with issues that the Trusts may want to raise. This forum not only ensures a uniform approach across all the Trusts but also provides contact points to deal directly with queries as they arise throughout the year.

Disability and Carers Service (DCS) has formal engagement arrangements in place with the Voluntary Sector through a disability forum which meets on a quarterly basis. Membership comprises of representatives from Citizens Advice, Advice Northern Ireland, The Law Centre and Disability Action. The overall objectives of this forum are twofold:

- to enable DCS to seek the views of intermediary organisations representing a broad spectrum of our customer base on operational delivery and proposed change initiatives; and
- to enable intermediaries to voice their concerns and also advise on what they think is going well in terms of service delivery.

In addition, during 2013-14 a number of separate meetings were held with individual groups such as;

- Advice NI; and
- Belfast City Wide Tribunal Service.

Throughout the year the Jobs & Benefits Office network staff met with a wide range of advice and support sector organisations, including representatives from the Citizens Advice Bureau and Independent Advice Centres, Domestic Violence Partnership Group, FASA, Mental Health Forum, NIACRO, St Vincent de Paul, Simon Community, The Storehouse (food parcel distribution charity), Southern Area Learning Together Health Service Initiative, Cuan Mhuire, Disability Action, Debt Action NI, Women's Aid, Cedar Foundation, Salvation Army, 16+ team and Local MLAs. The National Insurance Number team also met with the Black Migrant and Ethnic Minority Group for Craigavon on a quarterly basis. Additionally, redundancy clinics, benefit uptake days and information days were undertaken. Officers also attended bi-annual meetings with Northern Ireland Housing Executive (NIHE) and Land and Property Services (LPS), as well as regular meetings with the Employment Services Board.

Incapacity Division managers engaged on a formal basis with voluntary sector representatives from the Law Centre, Advice Northern Ireland, Citizens Advice Bureau and Disability Action via the quarterly Disability Consultative Forum and SSA/Advice Service Alliance Operational Forum. These regular meetings facilitate discussion on customer issues and forthcoming changes to processes as well as providing progress updates on the reassessment of Incapacity Benefit / Income Support claims.

The Employment and Support Allowance Centre staff engaged with a wide range of customer representative groups from the voluntary and advice sector during the year including the Law Centre, Advice Northern Ireland, Citizens Advice Bureau and Macmillan Cancer Support. Awareness sessions facilitated by a local Belfast Drug Outreach Team were also held for decision makers to provide insight into the impact of substance abuse. Employment and Support Allowance Centre staff continue to attend meetings of the Disability Consultative Forum jointly with Incapacity Benefit Branch and Disability and Carers Service to discuss customer issues, particularly those relating to vulnerable customers, explain operational processes and highlight future changes to these processes.

During the year, the Agency's Health Assessment Adviser, together with operational colleagues, also met with a range of customer representative groups from the voluntary and advice sector, including the Law Centre, Advice Northern Ireland and Citizens Advice Bureau to discuss issues around the quality of their customers Work Capability Assessment (WCA).

The Work Capability Review Project, as part of the evidence gathering process for the fourth independent review of the Work Capability Assessment, arranged and accompanied Dr Paul Litchfield to meet with members of the voluntary and advice sector. This provided a further opportunity for customer representatives to raise and expand upon issues and concerns surrounding the process.

During the year Operations Divisional Support (ODS) continued engagement with Border People, Armagh. This is an organisation set up to provide comprehensive and easily accessible information on key aspects of jobs, learning opportunities and living conditions for those people living and working on different sides of the North-South border. Benefit entitlement and provision is a key element of this group's enquiries and ODS acts as a 'link' for generic and specific enquiries of this nature. ODS attends the regular quarterly meetings.

The Benefit Cap Project together with colleagues from the Employment and Support Allowance Legislative Changes Project delivered presentations on their respective Welfare Reform changes to customer representative groups on 2 May 2013. The target audience included representatives from Advice NI, Disability Action, Macmillan Cancer Support, Action Mental Health and St Vincent de Paul.

The Discretionary Support Provision Project and the Organisational Change Directorate have engaged with a wide range of customer representative groups from the voluntary and advice sector, including Citizens Advice Bureau, Advice NI and the Northern Ireland Council for Voluntary Action. The exchange of information has assisted the Project with the development of the new Northern Ireland Discretionary Support provision. Further engagement is planned for 2014.

The Agency has well established links already in place when engaging with disability groups on the administration of Disability Living Allowance. However, these existing arrangements have been augmented with the establishment of a specific Personal Independence Payment forum for disability groups and the advice sector. The forum consists of a network of over 70 organisations and since its inception 13 meetings have been held. These meetings provide a very valuable opportunity for groups to engage with the Agency on Personal Independence Payment.

In addition, individual organisations have also continued to avail of the opportunity to meet the Personal Independence Project team on a one-to-one basis to discuss, in detail, the issues specifically pertaining to their organisation. This strand of engagement included meetings with Northern Ireland Association for Mental Health (NIAMH) Drug Outreach Team, Mental Health Resettlement Team, Foyle Sign Language Centre and representatives from Cystic Fibrosis.

The Financial Support Service (FSS) project team have liaised with NI Advice Service Consortium (NIASC) through the Voluntary and Community Unit (VCU) on the introduction of a new Financial Support Service in Jobs & Benefits Offices. The new service is intended to help benefit customers to become more financially independent by increasing their financial inclusion, improving their money management and financial capability skills, and consequently reducing levels of debt. In addition to identifying the financial support needs of customers, it is recognised that there will be some customers who have more complex requirements and they may benefit from external specialised support. If a customer discloses underlying factors and would welcome advice the team will signpost these customers to an appropriate organisation. Engagement with NIASC will continue as a key external stakeholder in the signposting and referral process.

The Appeals Reform Project has engaged with the Law Centre, Advice Northern Ireland and Citizens Advice Bureau to discuss the planned changes to the appeals process. In addition presentations have been delivered to the forum established by the Personal Independence Payment Project and the Social Security Practitioners Forums which is organised by the Law Centre.

Stakeholder and Customer Insight

In order to inform and shape policy development, communication and operational delivery, the Agency is committed to advancing its Customer Insight research.

A portfolio of research for the Agency has been developed, alongside a network of relationships with customer representative groups and the community and voluntary sector. This provides the Agency with greater information upon which to base its future services and meet the needs of its customers.

The Agency's Stakeholder and Customer Insight team, working with business partners, commissioned a range of customer research in 2013-14. This research included: Universal Credit Employer Engagement, Employment and Support Allowance Customer Journey, the Social Security Agency customer satisfaction survey and a series of omnibus surveys researching the public's view on the changes to the welfare system. These findings are being used to inform service delivery and development of systems.

Customer Contact Strategy

The SSA Customer Contact Strategy 2013-17 sets out the Agency's vision for Customer Contact in 2017 'to enable our customers to access future services primarily via the internet'. The Year 0 Plan (2013-14) focused on preparation activity both internally and externally with partners and included establishing a Digital Inclusion Pilot which was taken forward in conjunction with Libraries NI. The Agency also continues to work with DFP's Digital Inclusion Unit and Citizen Contact Team to prepare customers for online and telephony based services.

Customer Charter Standards

The Agency has published 3 Customer Charters detailing generic service standards available for our main customer groups. These are the Jobs & Benefits Customer Charter, developed in partnership with Department for Employment and Learning (DEL); The Pensions Service and the Disability and Carers Service charters.

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

List of the standards and performance in 2013-14 is shown below:

SERVICE STANDARD	PERFORMANCE 2013-14
To acknowledge all correspondence items within 2 days of receipt.	95.12%
To reply to all correspondence within 10 days of receipt.	98.75%
To see customers within 10 minutes of a pre-booked appointment.	99.91%-with an appointment
To see customers who do not have an appointment within 15 minutes of their arrival.	97.57%-without an appointment
To answer calls to direct-dial numbers within 20 seconds[1].	62.9%

[1] This 62.9% achievement refers to the number of all calls received which were answered within 20 seconds, including abandoned calls. Based on the number of calls answered, 72.06% were answered within 20 seconds.

The Agency will undertake a review of its Customer Service Charters during 2014-15 to ensure they continue to reflect our customer service expectations and the operating environment in which we are delivering those services.

Complaints Handling

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

The number of complaints received in 2013-14 was 1,424, a decrease of 364 on the number of complaints received in 2012-13 (1,788). The Agency replied to 98% within the 10 day target.

The Agency continues to place great emphasis on learning from complaints. All business areas have this as a standing agenda item at their Team-Time meetings and this has contributed to an improvement in meeting customer needs.

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

The Agency has continued to review and modify its 'Guide to Effective Complaints Handling' and we will undertake a formal review of our complaints handling process during 2014-15. For customers, details of our complaints procedures are set out in our leaflet 'Making a Comment or Complaint' available in our local offices and our internet site: www.dsdni.gov.uk

Independent Case Examiner

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

During the year there were 23 new referrals to the Examiner. Twelve cases were accepted for investigation/resolution, of which 9 progressed to full investigation, 4 of these cases were upheld and 5 cases were not upheld.

COMPLAINTS REFERRED TO INDEPENDENT CASE EXAMINER 2013-14	
CATEGORY	
Complaints received 2013-14	23
Carried forward from 2012-13 to 2013-14	8
Complaints not accepted (Failed Gateway)	9
Complaints withdrawn	0
OUTCOME OF COMPLAINTS INVESTIGATED	
Resolved (no further evidence required)	2
Settled (resolved following receipt of further evidence)	1
Investigated – Full investigation carried out and complaint now finalised.	9
Number outstanding carried forward to 2014-15	10

Customers can write to the Independent Case Examiner at:

The Office of the Independent Case Examiner
PO Box 155, Chester, CH99 9SA
Or alternatively, visit the website at
www.ind-case-exam.org.uk.

Interpretation and Translation Services

The Agency and the Department for Employment and Learning continue to provide telephone and face to face interpreting as well as a document translation service. Telephone interpreting is provided by 'thebigword' interpreting service, whilst face to face interpreting is provided throughout Northern Ireland by Flex Language Services.

Corporate Governance and Risk Management

Details of our corporate governance and risk management arrangements are included in the Governance Statement on pages 75-85.

Internal Audit Arrangements

As explained in the governance statement, the Accounting Officer and the Board are independently advised by the internal audit service. The primary objective of Internal Audit is to provide the Accounting Officer with an independent and objective opinion on risk management, control and governance, by measuring and evaluating their effectiveness in achieving our agreed objectives.

During 2013-14 Internal Audit carried out planned programmes of work as agreed by the Social Security Agency Audit Committee. All audits were conducted in accordance with the Government Internal Audit Standards and outcomes have been reported to all concerned, including senior management.

For the Agency separate opinions on the adequacy and effectiveness of risk management arrangements are provided by the Head of Internal Audit (HIA) in the areas of Corporate Governance and Risk Management, Administration and Programme Expenditure.

The overall opinion of the HIA was that there was evidence that the risk management, control and governance framework within the Social Security Agency was **Satisfactory** and should ensure overall achievement of objectives.

Contingency Plans

The Agency has continued to carry out regular and comprehensive reviews of its business continuity arrangements. Rehearsals have taken place at both a corporate and local level and included the review and revision of business continuity plans for three of the Agency's larger Benefit Processing Centres (BPC's). These activities led to the updating and revision of existing business continuity plans. In addition, the Agency's Flu Pandemic Contingency Plan has been routinely reviewed and updated to take account of the latest planning assumptions which could impact on service delivery. An Emergency Planning Rehearsal also took place. This assisted in effectively planning necessary arrangements which may be needed during very poor weather conditions.

Freedom of Information Act 2000 and Environmental Information Regulations

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

Our People

Benefit Training Services (BTS)

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

During the training year from September 2012 to August 2013, BTS provided a wide range of learning and development activities within two specific areas:

- Business As Usual
- Modernisation and Reform

Detailed information on the training delivered and costs is contained within the Agency's Benefit Training Service Annual Report 2012-13.

BTS aim to support the business through another challenging year by delivering training roll out plans in line with the Welfare Reform Programme. They will continue to liaise with the business and ensure that sufficient resources are available to meet the business training requirements.

Leadership Programme

By the end of June 2013 the Agency successfully delivered an in-house Leadership Programme to 278 SOs and DPs. The aim of this programme is to build a 'community' of inspired and inspiring Leaders who can lead and manage the Agency successfully through future changes. The programme was run over three days and allowed participants to demonstrate their leadership skills and behaviours by using 'real' work situations.

As a result of the positive feedback from this Programme AMB endorsed the rollout to EO1s within the Agency. The EO1 Programme commenced in October 2013 and it is anticipated that completion will be the end of May 2014.

Further Education

The Department continued to support staff through the Further Education Scheme, which provides financial support for course fees, books and equipment. During the 2013-14 academic year, 21 Agency staff have been supported by the Department through the Further Education Scheme at a total cost of £10,613.

Investors in People (IiP)

The principles of the Investors in People Standard are well embedded throughout the Agency. The Agency received IiP re-accreditation in October 2011 and work is continuing with managers to implement recommendations from the Assessors' report.

The Agency will be re-assessed in September 2014 to ensure that it still meets the IiP standard. The assessors will provide further potential areas for improvement that will be considered.

Corporate Responsibility

Our commitment to the principle of corporate responsibility is demonstrated by the wide range of activities that we have supported and encouraged our staff to participate in. During 2013-14, a total of 132 Agency staff participated in 13 Employer Supported Volunteering challenges hosted by Business in the Community and co-ordinated by the Department. These were carried out at Growing Connections, Elizabeth Svendsen Trust, Fleming Fulton, Autism Initiatives, PRAXIS, Positive Futures, Shiels House, Belfast Sailability, Mitchell House, Mindwise, Walkway Community Centre and Creggan Country Park. Typical tasks included weeding, planting, garden furniture refurbishment, painting, tidying and cleaning. Some 455 hours were volunteered by staff which was matched by the same number of hours donated by the Agency.

In addition, 15 Agency staff were seconded to voluntary bodies including the Prince's Trust, making a positive contribution to the community. Over 1,392 staff in the Agency made charitable donations through the payroll system, amounting to a total of over £103,700 in the year.

During the year Agency staff arranged over 125 local fund raising events including bring and buy sales, raffles and coffee mornings. A total in excess of £55,000 was collected and donated across 55 causes and charities such as Macmillan Cancer Support, NI Hospice, Action Cancer, Marie Curie, NI Chest, Heart and Stroke Association, Age NI, Salvation Army and St Vincent De Paul.

Human Resources

All transactional activities associated with Human Resource services are now delivered through an outsourced Shared Service Centre. The Departmental Human Resources Division, which is located in the Core Department, delivers strategic services across the Department. The Agency has nominated Business Partners to support/advise the Agency Management Board and managers on human resource policy. They have also been asked to take forward specific human resource objectives and action to support their business. A senior member of the DHR team sits on the Agency Management Board.

Dignity at Work

The Agency is an equal opportunities employer, committed to promoting and maintaining a harmonious working environment for all. Managers regularly communicate Equal Opportunities awareness to all of the Agency's staff. Staff are also made aware of their responsibilities through regular circulation of the Dignity at Work Policy. Any breach of the Dignity at Work Policy is taken very seriously, with formal investigations carried out by HRConnect when appropriate.

In order to promote and encourage local resolution to work related issues, the Equal Opportunities Unit offers the use of mediation services through the Labour Relations Agency. Additionally, a greater emphasis is also being placed on promoting the role and services of our Harassment Contact Officers in assisting to deliver local resolution.

The new Northern Ireland Civil Service mandatory training package 'Diversity Now', which builds upon the Agency's commitment to equality, is being delivered to all Agency staff.

Workforce Planning

In addition to the ongoing monitoring of the Agency's workforce position, a bespoke workforce planning tool has been developed to capture resource requirements for all changes relating to Welfare Reform and to consider their impact on existing Agency business. The model should support resource scheduling and scenario planning and will provide additional management information to inform resourcing decisions, thus ensuring that resourcing is managed effectively across the Agency and the Department as a whole.

Financial Performance

Resource and Programme Expenditure

The 2013-14 Agency accounts include both Resource Departmental Expenditure Limit (DEL) expenditure, and Annually Managed Expenditure (AME) derived from the DSD Request for Resources A.

AME expenditure includes Social Security benefits and loans administered by the Agency. DEL expenditure includes the costs of administering the benefits. Non Contributory benefits, Social Fund funding payments and DEL expenditure are voted by the Assembly. Contributory benefits are funded by the National Insurance Fund. Further information on this is included in the notes to the financial statements.

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

Performance Targets

The Agency succeeded in meeting its key corporate financial targets set by the Minister. Details of the Agency's performance against these targets are set out in Note 23 to the accounts.

Business Review and Results for the Year

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

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

The Statement of Comprehensive Net Expenditure on page 89 shows the net operating cost of the Agency.

The net cost of operations for the year was £4.943bn (2012-13: £4.822bn). Expenditure on Non–current assets for the financial year amounted to £0.160m (2012-13: £0.675m).

The net cost of operations has been calculated after inclusion of a number of notional costs which are currently outside the scope of the Agency's Departmental Expenditure Limits and Annually Managed Expenditure. Notional costs are detailed per Note 3.

There have been no post Statement of Financial Position events from the financial year-end date, to the date the financial statements were approved.

Property, plant and equipment and Intangible assets (non-current assets) owned by the Agency are valued at net book value (Note 9 and Note 10).

During the year there has been no substantial investment in non-current assets. Details of the revaluations to non-current assets for the financial year are included in the Statement of Comprehensive Net Expenditure, Note 9 and Note 10 in the accounts.

The Agency's current estate management strategy is to maintain buildings for current use. In accordance with IAS 16 Property, Plant and Equipment, land and buildings are stated at current value, using a professional valuation completed every five years, and with appropriate indices used in the intervening years. A professional valuation of Land & Buildings was completed in 2013-14 and placed an existing Value in Use of £13.5m on these non-current assets. At 31st March 2014 Land & Buildings are stated in the Agency's Accounts at a carrying value of £14.3m (See Note 9 in the Accounts).

Remote Contingent Liabilities

There are no contingent liabilities that are not required to be disclosed under IAS 37 but are required to be disclosed for parliamentary reporting and accounting purposes.

Political and Charitable Donations

The Agency made no political or charitable donations during the year.

Payments to Suppliers

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

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

The Agency is committed to a prompt payment within 30 days.

Regular reviews conducted to measure how promptly the Agency pays its bills found that approximately:

Number of invoices paid during the year	7,848
Number paid on time	7,486
Percentage paid on time	95.39%

The Late Payment of Commercial Debts (Interest) Act 1998 provides small businesses with a statutory right to claim interest on the late payment of commercial debt. In 2013-14 the Agency made no payments (2012-13: £ NIL) arising from the Late Payment of Commercial Debt (Interest) Act.

Payment Accuracy

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

Off-Payroll Engagements

The Agency is required to disclose the number of ‘off-payroll’ engagements (at a cost of over £58,200) that were in place as at 1 April 2013, and the movement in this position to the end of the financial year, 31 March 2014. The table below provides this information.

Number of engagements in place at 1 April 2013	Number of new engagements during the year	Number that came onto the Agency’s payroll	Number that came to an end	Number of engagements in place at 31 March 2014
2	5	0	0	7

Future Developments

The Agency will continue its focus on delivering quality public services by ensuring financial support is available to people who find themselves out of work, are too ill to work or who have a disability which impacts on their mobility. We will also ensure that pensioners receive the level of pension to which they are entitled and we will continue to provide financial assistance to people in real need or who face financial emergencies.

Over the next 12 months the Agency will continue to prepare for the delivery of the proposed changes to the social security system as set out in the Northern Ireland Welfare Reform Bill (NI) 2012. We will continue to engage with our customers and key stakeholders as we move to the implementation phase of the changes to the system.

We recognise the need to support our staff through the changes ahead and will continue to embed the required interventions to build capability and capacity including, an internal communications strategy, a change management framework and a culture change programme.

Universal Credit is intended to replace Income Support (income based), Jobseeker's Allowance, Employment and Support Allowance (income based), Child and Working Tax Credits and Housing Benefit. It will also impact the qualifying criteria for a number of passported benefits administered by other Northern Ireland Government Departments.

Developing and implementing the programme of work to enable the introduction of Universal Credit in Northern Ireland is a significant organisational and management challenge for the Agency. It is being taken forward in partnership with the Department for Employment and Learning, Department for Work and Pensions, other Northern Ireland government departments and Her Majesty's Revenue and Customs. This includes developing appropriate delivery mechanisms for Universal Credit with the primary focus being on developing a digital service for our customers and putting in place the necessary support for vulnerable customers.

Whilst the first three Universal Credit Service Centres have been identified there remains significant work to be taken forward in staffing the new service and ensuring that our network of local offices is ready for the launch of Universal Credit in Northern Ireland.

Disability Living Allowance for working age people (16-64) will also be reformed through the introduction of the new Personal Independence Payment benefit. The new disability benefit is designed to ensure the funding for the new payment is targeted at those who most need it. The Agency worked closely with DWP in its design to ensure that Northern Ireland factors were fully taken into account.

The Agency will continue with the development of a new discretionary support provision for Northern Ireland to replace Community Care Grants and Crisis Loans, for living expenses and household items. In addition, the Agency, working in partnership with the Voluntary and Community sector is currently trialling a new Financial Support Service which is anticipated will be fully rolled out across Northern Ireland by December 2015. There will also be changes to the way that appeals against benefit

entitlement decisions are resolved. The Agency will develop new customer journeys designed to support people though the new arrangements.

Work will continue on taking forward proposed changes to contribution-based Employment and Support Allowance. The first significant change is the introduction of a time limit for people in receipt of contribution-based Employment and Support Allowance who are in the Work Related Activity Group (or Assessment Phase) to 365 days. The second change removes the special contribution conditions that allowed some young people to qualify for contribution-based Employment and Support Allowance without paying National Insurance contributions.

The legislation governing Employment and Support Allowance made provision for an independent review of the Work Capability Assessment on an annual basis over a five year period. The aim of this independent review is to improve the fairness and effectiveness of the Work Capability Assessment. Dr Paul Litchfield, physician and occupational health specialist, published his Review of the Work Capability Assessment Year 4 in March 2014. The Agency accepted 28 of the 32 recommendations and is working to take these forward where appropriate. The Agency is also working with Dr Litchfield in taking forward the fifth and final review.

The Pensions Act 2014 (Great Britain) provides for reforms to the State Pension age, bereavement benefits and will introduce a new State Pension from 2016. While the reforms have yet to be considered by the Northern Ireland Assembly, a team has been established to begin the necessary planning and preparatory work for the potential changes.

Building upon the success of the 2013 Benefit Uptake Programme that generated almost £17m in additional benefits for nearly 5,000 vulnerable people, the Agency will continue to implement its three year benefit uptake plan ‘Maximising Incomes and Outcomes’.

The Agency will also take forward a range of projects over the next year aimed at modernising service delivery and improving accessibility for benefit customers. These will include increasing the use of the recently established mail opening and scanning unit aimed at substantially reducing the Agency's reliance on paper through the introduction of a digital solution which supports online services by enabling information to be stored electronically.

The implementation of the Customer Contact strategy will deliver a series of technology improvements to the Agency's contact centres and overall telephony operations resulting in more effective utilisation of the agent population and service delivery to customers. Building on this work, the Agency intends to rationalise many of its published telephone numbers and replace its 0845 number services with 0300 numbers providing free telephony access for customers during the 2014-15 year.

The Agency is developing and implementing a Debt Strategy that builds capacity and modernises systems, processes and structures to maximise the recovery of Government Debt whilst providing support to those who need it.

Maintaining strong performance in respect of staff accuracy and reducing fraud and error remains one of the Agency's key strategic objectives. Loss through fraud and error has now been maintained at its lowest level of 0.9% of benefit expenditure for the third consecutive year. Work will continue to ensure, through effective targeting, that fraud and error continues to be prevented, detected and corrected, including prosecution where appropriate of those intent on criminality. Further progress is planned in modernising the Agency's fraud and error capabilities, in particular through new initiatives including new IT systems, more cohesive structures and enhanced powers. These efforts will help to ensure the integrity of the benefit system in the longer term.

While protecting against the loss of public money remains a priority for the Agency, so too does protecting customer information. The Agency is increasingly focusing on information security, including the establishment of a dedicated information security team to support the work of the Information Asset Owners. The team has already implemented a number of enhancements, including the introduction of new systems, which are used by a specialist unit to monitor and target unauthorised access to the benefit systems.

The Agency is continuing to develop its processes to meet the requirements of the new cap on welfare spending which was confirmed by the UK Chancellor's Budget Statement of 19 March 2014. The cap which is set at a UK level is intended to ensure that welfare spending remains sustainable. Although 2014-15 is effectively a dry run, the Office for Budget Responsibility (OBR) will do its first assessment in the autumn of 2014. The cap will apply formally from 2015-16 onwards. The Agency will continue to work with the Department for Work and Pensions, Department of Finance and Personnel and Her Majesty's Treasury to gain further clarity and understanding of the Welfare Cap, how it will work and how it will impact Northern Ireland.

The launch of Universal Credit and Personal Independence Payment and the development of discretionary support provision alongside the current programme of work demonstrate the scale of change which the Agency will have to manage during the next few years. There will be significant human resource and financial issues associated with this programme of work. This will require clarity on how the Agency plans to deliver its business in the medium term including achieving the right levels of staffing, with the appropriate skills, and that the Agency is able to secure the necessary resources to fund the service and the appropriate contractual and commercial arrangements to support the implementation of the welfare reform programme.

The Agency is continuing to monitor developments in the Department for Work and Pensions and across other Whitehall departments to ensure its current and future contractual and commercial arrangements meet business requirements and the needs of customers. The Agency will continue to develop strategic financial models which assess the impact on the costs of administration and delivery and benefit related spending on Northern Ireland.

A copy of the Agency's Balanced Scorecard for 2014-15 can be accessed at:

www.dsdni.gov.uk

Social Security Agency

Part 2

Remuneration Report

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a restructured SCS pay settlement broadly in line with the Senior Salaries Review Board report which he commissioned in 2010. The commitment to a Pay and Grading Review for SCS was the second phase of the equal pay settlement approved by the Executive.

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 Agency.

Remuneration (Audited Information)

Officials	2013-14				
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £'000)	Total £'000
Tommy O'Reilly * Chief Executive	100-105	0-5	N/A	9,000	110-115
Dr Colin Sullivan* Director for Universal Credit (Until 22.09.13)	35-40 (80-85 full year equivalent)	0-5	N/A	18,000	55-60
John McKervill Director of Pensions, Disability and Corporate Services	65-70	N/A	N/A	12,000	75-80
Pat Magee Director of Working Age Services (From 11.11.13)	25-30 (65-70 full year equivalent)	N/A	N/A	4,000	30-35
Brian Doherty Director of Working Age Services (Until 11.03.14) Director for Universal Credit (From 12.03.14)	60-65	N/A	N/A	12,000	75-80
Joyce Bill Director of Financial and Commercial Services	60-65	N/A	N/A	13,000	75-80
Geraldine Brereton Director for Organisational Change (From 05.08.13)	40-45 (60-65 full year equivalent)	N/A	N/A	34,000	75-80
Sharon Gallagher Director for Organisational Change (Until 04.08.13)	20-25 (60-65 full year equivalent)	N/A	N/A	50,000	70-75
Band of Highest Paid Director's Total Remuneration	100-105	N/A	N/A	N/A	N/A
Median Total Remuneration	23,663	N/A	N/A	N/A	N/A
Ratio	4.4	N/A	N/A	N/A	N/A

2012-13				
Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £'000)	Total £'000
100-105	N/A	N/A	16,000	115-120
80-85	N/A	N/A	33,000	110-115
65-70	N/A	N/A	10,000	75-80
N/A	N/A	N/A	N/A	N/A
60-65	N/A	N/A	28,000	90-95
60-65	N/A	N/A	24,000	85-90
N/A	N/A	N/A	N/A	N/A
15-20 (60-65 full year equivalent)	N/A	N/A	44,000	60-65
100-105	N/A	N/A	N/A	N/A
23,265	N/A	N/A	N/A	N/A
4.4	N/A	N/A	N/A	N/A

* In line with the SCS pay award arrangements for 2013, 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%. 1 official received a non-consolidated pensionable payment in the pay band £100,000 - £105,000 and 1 official received a non-consolidated pensionable payment in the pay band £35,000 - £40,000.

**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 individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

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 gratia payments.

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. There were no benefits in kind paid to any board members throughout the year (Nil for 2012-13).

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. There were two bonuses paid in 2013-14 (2012-13 Nil). The bonuses reported in 2013-14 relate to performance in 2012-13 and the comparative bonuses reported for 2012-13 relate to performance in 2011-12.

Pension Entitlements (Audited Information)

Officials	Accrued pension at pension age as at 31.03.14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31.03.14	CETV at 31.03.13	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Tommy O'Reilly Chief Executive	40-45 Plus lump sum 120-125	0-2.5 Plus lump sum 0-2.5	820	762	7	N/A
Dr Colin Sullivan Director for Universal Credit (Until 22.09.13)	10-15 No lump sum	0-2.5 No lump sum	134	118	13	N/A
John McKervill Director of Pensions, Disability and Corporate Services	25-30 Plus lump sum 75-80	0-2.5 Plus lump sum 0-2.5	502	463	9	N/A
Pat Magee Director of Working Age Services (From 11.11.13)	30-35 Plus lump sum 90-95	0-2.5 Plus lump sum 0-2.5	639	627	4	N/A
Brian Doherty Director of Working Age Services (Until 11.03.14) Director for Universal Credit (From 12.03.14)	25-30 Plus lump sum 75-80	0-2.5 Plus lump sum 0-2.5	432	398	7	N/A

Officials (Continued)	Accrued pension at pension age as at 31.03.14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31.03.14	CETV at 31.03.13	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Joyce Bill Director of Financial and Commercial Services	10-15 Plus lump sum 30-35	0-2.5 Plus lump sum 0-2.5	140	123	6	N/A
Geraldine Brereton Director for Organisational Change (From 05.08.13)	20-25 Plus lump sum 65-70	0-2.5 Plus lump sum 2.5-5	446	396	28	N/A
Sharon Gallagher Director for Organisational Change (Until 04.08.13)	15-20 Plus lump sum 55-60	2.5-5 Plus lump sum 7.5-10	271	232	37	N/A

Northern Ireland Civil Service (NICS) Pension Arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). 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 are eligible for membership of the nuvos arrangement or they can opt 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 increases in the CPI. For 2014, public service pensions will be increased by 2.7% for pensions which began before 8 April 2013. Pensions which began after 8 April 2013 will be increased proportionately.

Employee contributions are determined by the level of pensionable earnings. The employee contribution rates for the 2014/15 year are found overleaf:

Members of **classic:**

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	1.50%
£15,001-£21,000	3.00%
£21,001-£30,000	4.48%
£30,001-£50,000	5.27%
£50,001-£60,000	6.06%
Over £60,000	6.85%

Members of **premium, nuvos** and **classic plus:**

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	3.50%
£15,001-£21,000	5.00%
£21,001-£30,000	6.48%
£30,001-£50,000	7.27%
£50,001-£60,000	8.06%
Over £60,000	8.85%

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic, premium,** and **classic plus** and 65 for members of **nuvos.** Further details about the CSP arrangements can be found at the website **www.dfpni.gov.uk/civilservicepensions-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 CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

There was no compensation paid to serving or former serving managers (for loss of office) during 2013-14.

TOMMY O'REILLY
CHIEF EXECUTIVE
27 JUNE 2014

Social Security Agency

List of Annexes

Annex 1

The role of the Social Security Agency

Services provided to the people of Northern Ireland:

We are responsible for managing the following **Social Security Benefits and Payments:**

- Attendance Allowance
- Disability Living Allowance
- Incapacity Benefit
- Income Support
- Benefits under the Industrial Injuries Scheme
- Carer's Allowance
- Jobseeker's Allowance (income and contribution based)
- Lump-sum payments (Christmas Bonus, Winter Fuel Payments)
- Maternity Allowance
- State Pension Credit
- State Pension
- Over 80s Pension
- Severe Disablement Allowance
- Social Fund payments, grants and loans
- Bereavement Benefits
- Cold Weather Payments
- Employment and Support Allowance (income related and contribution based)
- Carers Credit
- Job Grant

We are also responsible for:

- providing information, advice and help to MPs/MLAs, the advice sector, the general public and employers;
- providing input to Northern Ireland Assembly debates;
- answering Assembly questions;
- recovering Social Fund loans and Funeral Payments;
- preparing and presenting appeals to appeals tribunals;
- deciding on operational policy relating to social security fraud and for developing and putting in place a strategy to prevent and detect social security fraud and abuse and prosecuting offenders;
- preventing, raising and recovering overpayments of benefits;
- recovering social security payments from compensation awards;
- working with social security authorities in other countries to decide who is entitled to benefits for those who are living, or have lived, abroad;
- reassessment of existing claimants for Incapacity Benefit, Severe Disablement Allowance and Income Support (paid on the grounds of incapacity); and
- providing a Bereavement Service whereby relatives may report a death to the SSA and also have an eligibility check for a range of benefits. If they are entitled to make a claim, the Bereavement Service will signpost the caller to the appropriate office.

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

Belfast Benefit Centre (including Lisahally Processing Unit) currently deliver full end to end processing for IS, JSA, IB, ESA and IBR project for DWP customers living in parts of West, South and North London. The Centre also delivers Income Support to DWP claimants living in Basildon, Essex.

In addition Belfast Benefit Centre undertakes the role of the Centralised Referral Team (Debt) for all of the London and Home Counties Group.

The Centre is also responsible for the delivery of Benefit Cap across England, Scotland and Wales. Benefit Cap is one of the first major welfare reforms to be delivered by DWP.

Other Services

We are responsible for handling the following services:

- **Health service charges** - we assess and issue certificates of entitlement to help with dental treatment, travel to hospital for treatment, sight tests and vouchers for glasses or contact lenses on behalf of the Department for Health and Social Services and Public Safety.

- **Housing and fuel costs** - for customers who have been supplied with housing or fuel credit, we deduct the repayments from their benefits and pay directly to the organisations concerned.

- **Legal Aid Assessment** - we assess customers' financial circumstances if they are applying for Civil Legal Aid and confirm if a customer is receiving a social security benefit if they are applying for Criminal Legal Aid or assistance under the Green Form Scheme.

- **We provide Information and Guidance** on how to claim Tax Credits for HMRC.

- **We are able to provide** members of the public with an estimated potential entitlement to a range of benefits and tax credits through the Better Off Calculator (BOC) and the Benefit Adviser Service (BAS).

- **We provide relevant information** to employers and other organisations to help them to decide on entitlement to, and payment of, Housing Benefit, Statutory Sick Pay, Statutory Maternity Pay, Criminal Injuries Compensation, free school meals and educational clothing.

- **We provide** a National Insurance Number application and allocation service on behalf of the HM Revenue and Customs.

- **We provide information** on and pay Disability Living Allowance (higher-rate mobility component) to Motability.

- **Vehicle Excise Duty Exemption** - we issue certificates of entitlement to people who receive Disability Living Allowance (higher-rate mobility component).

- **Training Allowance** - we pay benefit based training allowances on behalf of the Department for Employment and Learning to those taking part in recognised Department for Employment and Learning schemes.

- **Data Sharing with other Government Departments** - we may give information to certain other organisations as the law permits, to check the accuracy of the information, prevent or detect crime, protect public funds and use in research statistics.

- **Data gather for other Departments** - the Employment and Support Allowance Centre completes a data gather on behalf of the Northern Ireland Housing Executive and for Land and Property Services.

- **Signpost customers to Child Maintenance Service** - Gathering information from single parents who could benefit from the services provided by CMS. This includes arranging for the Child Maintenance Choices (the new name for the CMS Information and Support Service) to contact customers, seeking to use their services, directly.

- **Issue application forms for other benefits** - the Employment and Support Allowance Centre can, for customers making an Employment and Support Allowance new claim by telephone, issue application forms for Carers Allowance, Bereavement Benefit, Maternity Allowance and Industrial Injuries Benefit.

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

Annex 2

How to contact us

PHONE SERVICES	NUMBER	OPENING HOURS	DESCRIPTION
Benefit Enquiry Line (BEL)	Free phone: **0800 220 674** Minicom: **028 9031 1092**	This service is available 24 hours a day where a message can be left and customers are called back as soon as possible during office hours (Monday to Friday 9.00am to 5.00pm)	The BEL is an answer phone service which provides general information and advice on Attendance Allowance, Disability Living Allowance, Carer's Allowance along with the phone completion of Attendance Allowance, Disability Living Allowance and Carer's Allowance claim forms. Appointments have to be made to have these forms completed.
Benefits Freephone Number	Free phone: **0800 022 4250** (calls are free from BT landlines and most mobiles)	Monday to Friday 9.00am to 5.00pm	For general enquires relating to Income Support, Jobseeker's Allowance and Social Fund e.g. enquiring about an application, or reporting a change of circumstances.
Single Investigation Service (Northern Ireland) Fraud Phone Line	Free phone: **0800 975 6050** Textphone: **028 9055 6991** (freecall)	Monday to Friday 9.00am to 5.00pm	Phone number to receive allegations of social security benefit fraud from the public. No details of caller required and confidentiality is guaranteed.
Employment and Support Allowance	Free phone: **0800 085 6318** Enquiry Line: **0845 602 7301** Textphone: **0800 328 3419**	Monday to Friday 9.00am to 5.00pm	A quick and easy way for making new applications to Employment and Support Allowance. For general Employment and Support Allowance enquiries e.g. enquiring about an application, or reporting a change of circumstances.
Incapacity Benefits and Industrial Injuries Benefits	Telephone: **028 9082 3318** Textphone: **028 9043 4939**	Monday to Friday 9.00am to 5.00pm	Customers can use these numbers to make enquiries about or to make a claim to Industrial Injuries or Incapacity Benefits or to make enquiries about Incapacity Benefit.
Benefit Shop	Telephone: **028 9037 4100** Textphone: **028 9043 4939**	Monday to Friday 9.00am to 5.00pm	A One Stop Shop which provides help, information and advice on all Social Security benefits, and where possible, deal with queries an individual may have in relation to other organisations and public services.
National Benefit Fraud Line	Free phone: **0800 854 440** Textphone: **0800 328 0512**	7am to 11pm 7 days a week	National free phone service for reporting allegations of benefit fraud.

PHONE SERVICES	NUMBER	OPENING HOURS	DESCRIPTION
Welsh Benefit Fraud Hotline	Freephone: **0800 678 3722** Textphone: **0800 328 0512**	**Monday to Friday 8.00am to 6.00pm**	Welsh Language free phone service for reporting allegations of benefit fraud.
Benefit Leaflet Issuing Service	Phone Number: **0845 605 2020** (local rates apply)	24 hours 7 days a week	The Benefit Leaflet Information Service is a 24 hour fully automated telephone service for requesting leaflets.
Crisis Loans Claim Line	Free phone: **0800 028 8822**	Monday to Friday 9.00am to 4.30pm	A Crisis Loan is there to help you in an emergency or as a consequence of a disaster. A Social Fund Decision Maker will process your claim over the telephone.
State Pensions Service Tele-Claims	Free phone: **0808 100 2658** Textphone: **0808 100 2198** (freecall) Fax Number: **028 7185 3005** **028 7185 3003**	Monday to Friday 9.00am to 5.00pm	A quick and easy way for making new applications to State Pension.
Pension Credit Application Line	Free phone: **0808 100 6165** Textphone: **0808 100 1165** (freecall) Fax Number: **028 7127 4643**	Monday to Friday 9.00am to 5.00pm	A quick and easy way for making new applications to Pension Credit. Application forms completed for the Customer.
Pensions Service Enquiry Line	Phone Number: **0845 601 8821** Textphone: **0808 100 2198** (freecall) Fax Number: **028 7185 3006**	Monday to Friday 9.00am to 5.00pm	For general State Pension or Pension Credit enquires e.g. enquiring about an application, or reporting a change of circumstances.
Bereavement Service	Phone Number: **0800 085 2463**	Monday to Friday 9.00am to 5.00pm	To report a death to the Social Security Agency Bereavement Service will ensure all relevant benefit and pensions offices are updated. Check eligibility to Social Security benefits following bereavement. Apply for Bereavement Benefits or a Social Fund funeral payment

SSA Internet Address: **www.nidirect.gov.uk**

Annex 3

Strategy Map

OUR VISION - "Helping people change their lives for the better"

Reform and Modernisation | Quality Customer Services | Performance and Accountability

BUSINESS PERFORMANCE

Deliver a reformed Welfare System	Ensure our customers are paid the right benefit at the right time	Ensure good governance and financial management	Improved organisational performance
Transform the Welfare System in Northern Ireland and ensure we protect the vulnerable in our society.	Assessing and paying benefits accurately, securely and on time while actively promoting benefit uptake across customer groups.	Delivering our functions in a controlled and managed environment, adhering to best practice guidance to manage risk and demonstrate accountability	Through continuous improvement to be a high performing organisation

CUSTOMERS

Engage with our customers and stakeholders to better understand their needs	Build and maintain a network of strong working partnerships	Provide flexible and accessible customer services	Provide value for money for customers and taxpayers	Prevent, detect and deter fraud and error
Working with customers, representative groups and key stakeholders to inform the delivery of services to existing and potential customers.	Positive commitment to work with others to inform, shape and deliver our services.	Ensure customers can access services through a range of flexible and varied delivery channels.	Living within budget and delivering value for money.	Building secure systems to reduce the opportunity for fraud and error; maintain the integrity of exisiting benefit systems and actively investigate and promote the prosecution of benefit fraud.

INTERNAL PROCESSES

Continuously improve and modernise our business processes	Effective project and programme management	Develop business forecasting models	Secure management of data and information	Effective internal control and communications systems
Use business improvement tools to review and examine our internal processes to improve and modernise our services.	We will successfully deliver our projects by the application of proper control mechanisms.	Use appropriate tools to help us understand and plan business needs in the future.	Ensuring that we protect and handle all personal data and information securely.	Put in place a range of robust internal controls and communications system.

ORGANISATION AND PEOPLE

Transform our structure and culture	Supporting our people	Build a strong team of leaders across the Agency	Staff who are motivated and committed
Living the Agency's vision and values	Ensure our people have the right skills, information and support.	Providing the necessary tools to lead and empower individuals and teams to meet the forthcoming challenges.	Influencing staff engagement through improved communications and development.

"We act fairly and honestly" | "We are connected" | "We are proud of what we do" | "We deliver quality services"

WE DELIVER OUR VISION THROUGH OUR VALUES

Annex 4

Facts and Figures

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

Spending on Benefits 2013 -14

BENEFITS TAKEN FROM NORTHERN IRELAND CONSOLIDATED FUND	£'000
Non-contributory Retirement Pension	3,583
Christmas Bonus (pensioners)	1,509
Attendance Allowance	201,625
Carer's Allowance	132,652
Severe Disablement Allowance	39,796
Disability Living Allowance	898,015
Disability Working Allowance	-6
Industrial Injuries Benefits	29,748
Pension Credit	325,463
Family Credit, Child Support Maintenance Bonus	-2
Community Care Grants	13,747
Other Fair Value Adjustments & write offs - Crisis Loans	-308
Income Support	223,998
Jobseeker's Allowance (income based)	192,659
Employment and Support Allowance	293,503
Job Grant	1,896
Total: Northern Ireland Consolidated Fund	**2,357,878**

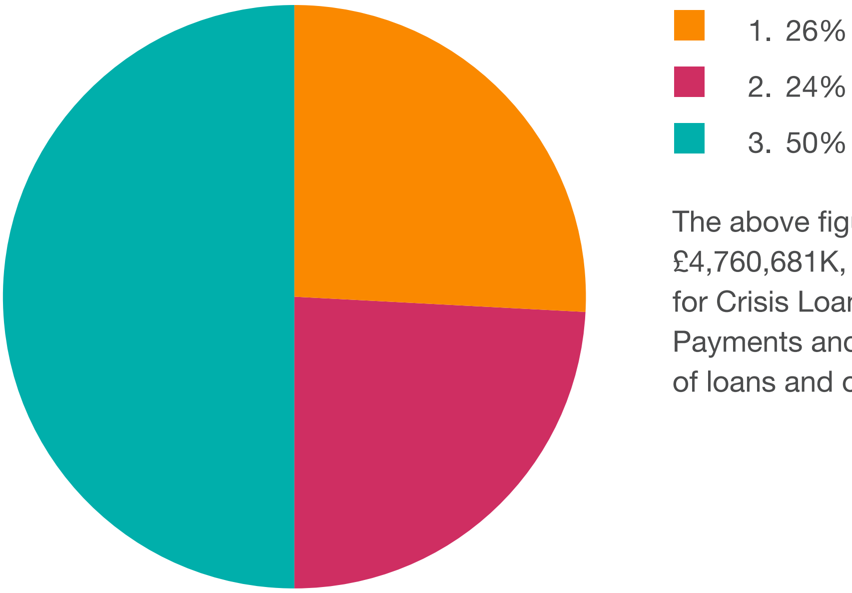
BENEFITS TAKEN FROM THE NORTHERN IRELAND NATIONAL INSURANCE FUND	£'000
Retirement Pension	1,982,796
Christmas Bonus	3,343
Widow's Benefits	20,998
Incapacity Benefit	73,731
Maternity Allowance	11,873
Employment and Support Allowance	235,190
Jobseeker's Allowance (contribution based)	18,846
Total: Northern Ireland National Insurance Fund	**2,346,777**

SOCIAL FUND	£'000
Budgeting Loans	53,724
(i)Crisis Loans	14,423
Maternity Payments	1,673
Funeral Payments	2,642
Cold-Weather Payments	0
Winter Fuel Payments	54,045
Repayment of Budgeting Loans	-52,348
(i)Repayment of Crisis Loans	-14,599
Repayment of Funeral Loans	-157
Total: Social Fund	59,403
Total public spending on benefits for which we are responsible	**4,764,058**

(i) Please note the above amounts refer to Crisis Loan issues and repayments for the 2013-14 financial year. Details of changes to funding for Crisis Loans are included in the Accounting Policy note 1.23.

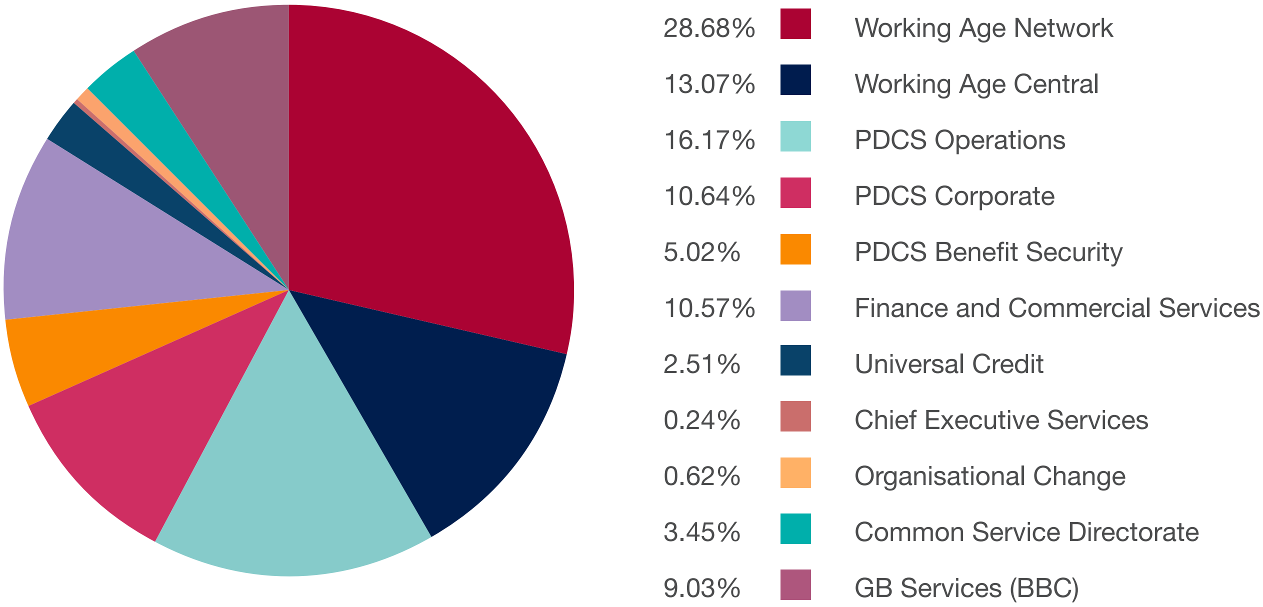
Spending on benefits by broad groups of beneficiaries 2013-14

	PERCENTAGES	VALUES £'000
1. Disability and Carers	25.88%	1,232,286
2. Jobs and Benefits	24.21%	1,152,568
3. Pension Age	49.91%	2,375,827



The above figure for spending on benefits £4,760,681K, does not include the amounts for Crisis Loans, Budget Loans and Funeral Payments and does not include repayments of loans and other receipts

Patterns of Spending by Business Area 2013-14

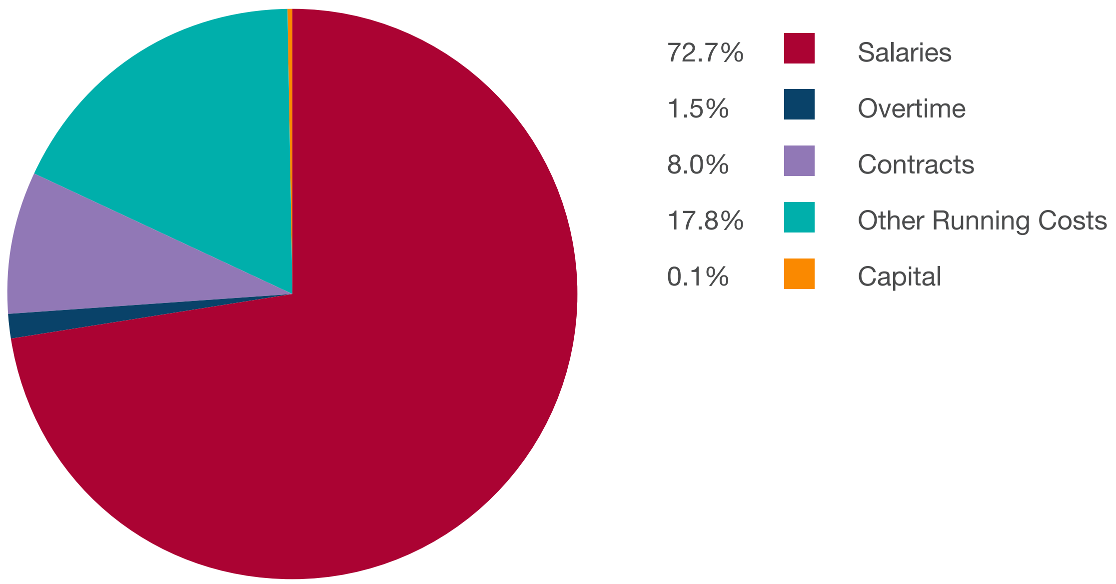


	PERCENTAGES
Working Age Network	28.68%
Working Age Central	13.07%
PDCS Operations	16.17%
PDCS Corporate	10.64%
PDCS Benefit Security	5.02%
Finance and Commercial Services	10.57%
Universal Credit	2.51%
Chief Executive Services	0.24%
Organisational Change	0.62%
Common Services Directorate	3.45%
GB Services (BBC)	9.03%
TOTAL	100%

NOTES:

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

Patterns of Spending by type 2013-14



	PERCENTAGES
Salaries	72.7%
Overtime	1.5%
Contracts	8.0%
Other Running Costs	17.8%
Capital	0.1%

Total spending = £200.7 million (£200.496 million Resource costs and £0.159million Capital costs)

NOTE:
Discretionary Social Fund and Non-Cash figures are excluded from above spends

Social Security Agency

Annual Accounts 2013-14

Part 3

Contents

Statement of Accounting Officer's Responsibilities

Under section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Northern Ireland Social Security Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Social Security Agency and of its total comprehensive net expenditure, 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 and Personnel, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the accounts on a going concern basis.

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

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

Governance Statement

Scope of Responsibility

As designated Accounting Officer, I have responsibility for maintaining an effective governance system that supports the achievement of the Agency's and the Department's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible. Agency business is conducted in accordance with guidance contained within Managing Public Money (NI) to ensure that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

I ensure that the Minister and Permanent Secretary receive regular reports on all aspects of our performance, including a quarterly progress report which highlights any significant deviation from achievement of targets, financial implications and any underlying risk realisation.

The Agency's Governance Framework

As Chief Executive of the Social Security Agency I am responsible for the day-to day operations and administration of the Social Security Agency and leadership of its staff. In my role as designated Accounting Officer I am responsible to the Minister and accountable to the NI Assembly for the Agency's use of resources in carrying out its functions. I provide assurance to the Permanent Secretary in his role as Principal Accounting Officer in relation to effective governance and control of expenditure on delivery of the Agency's services.

I have put in place a governance framework which provides the direction and control for the Agency; confirms the scope of the arrangements and explains the importance placed on organisational structures, policies, plans and review arrangements which have been established to properly manage the Agency's affairs.

I am satisfied that I have the necessary systems and processes in place to maintain an effective system of internal control which supports the delivery of the Agency's strategic objectives while safeguarding the public funds and assets which I am personally accountable for.

The Agency Management Board (AMB), which I chair, meets monthly, supports the delivery of effective Corporate Governance and operates within the HM Treasury guidelines on 'Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013' and operates within an agreed Terms of Reference. The Board is responsible for the strategic direction of the Agency and supporting the delivery of that strategy by providing corporate leadership, taking ownership for the Agency's performance at corporate level and ensuing that adequate governance controls are in place. The Agency Management Board is comprised of five directors and the Chief Executive.

The Chief Executive, in consultation with the Permanent Secretary and AMB, sets the strategic direction for the Agency through the Corporate Balanced Scorecard, prioritises the allocation of resources to match development and delivery requirements, monitors and is accountable for Agency performance. The Agency's Corporate Balanced Scorecard is approved by the Minister.

The table below shows AMB members' attendance at Board meetings held during 2013-14.

MEMBERS	BOARD MEETING ATTENDED
Tommy O'Reilly	12
Joyce Bill	12
Dr Colin Sullivan (until September 2013)	4
Brian Doherty	11
John McKervill	9
Sharon Gallagher (until July 2013)	2
Geraldine Brereton (from August 2013)	7
Pat Magee (from September 2013)	6

Conflicts of Interest

The Agency maintains a register of interests to ensure potential conflicts of interest can be identified and addressed in advance of Board discussions. Where potential conflicts exist they are recorded in the Board minutes along with any action taken to address them. No conflicts of interest were declared in 2013-14.

Quality of Data to the Board

I am satisfied that comprehensive arrangements are in place to ensure that quality information is received by the Board to enable it to make informed decisions. Strategic issues reserved for the Board's attention are scheduled in an annual planner and a categorised agenda is drawn up for each meeting. There are internal controls to validate accuracy and completeness of information presented to the Board; detailed minutes record the business carried out and action agreed.

In addition, the Audit Committee provide a challenge function which helps to ensure that emerging issues are highlighted and brought to the attention of the Board.

During 2013-14 changes were made to the membership of the Board. Due to this restructuring it was not thought appropriate to carry out a review of AMB's effectiveness in the early stages of the new formation, however, a review has been scheduled for 2014-15.

Audit Committee

The Audit Committee supports the Agency Board and Accounting Officer in their responsibilities for risk management, internal control and governance within the Agency.

The Committee, which is chaired by a non-executive independent member of the Departmental Board, met four times during 2013-14 and was attended as follows:

MEMBERS	COMMITTEE MEETINGS ATTENDED
Roy Keenan (Chair) (until May 2013)	1
Deep Sagar (Chair) (from September 2013)	3
Catherine Daly	1
Stephen Boyd (until May 2013)	1
Michael Donnelly (from September 2013)	3

In line with the Committee's Terms of Reference all meetings were quorate.

The Committee's business includes a review of Agency's systems of corporate governance, risk management and internal control. After each meeting the Chair of the Audit Committee provides the Board with an update on the business conducted and if appropriate draws to their attention issues of material concern.

Through their quarterly update reports to AMB the Audit Committee advised that it is not aware of any substantive issues that need to be brought to the Accounting Officer's attention that would raise questions over the assurance provided on the systems of corporate governance, risk management and internal control that are in place in the Agency.

In May 2014 the Audit Committee completed a Self Assessment based on the National Audit Office Checklist. The outcome of the review will be presented at the July Agency Management Board meeting. The Committee provided the Board with an assurance that it is operating effectively providing an independent and objective challenge function and supporting and assisting myself and the Board in matters of risk, control, corporate governance and financial reporting.

Review of Effectiveness

As Accounting Officer, my review of the effectiveness of the system of internal control is supported by:

- a Standards Committee, which provides me with independent advice on the quality of the Agency's decision making;

- Fraud and Error Reduction Board which provides strategic focus and direction to the planning and delivery of counter fraud and error activity across all benefits;
- a Modernisation Board, which meets monthly, and which has overall responsibility for the Agency's Modernisation Programme; and
- a Universal Credit (UC) Programme Board, which meets regularly, which provides direction and control and monitors and scrutinises the delivery of the Northern Ireland Universal Credit Programme.

My review is also informed by the work of the Head of Internal Audit and the comments made by the external auditors in their report to those charged with governance and other reports.

Key risks in the Corporate Risk Register, to be covered by Internal Audit, are agreed with the Accounting Officer and Audit Committee in the annual audit plan and audit strategy. Internal Audit submit regular reports on the management of key business risks and the effectiveness of the Agency's system of internal control and make recommendations for improvement. Recommendations have been accepted by management and are being or have been implemented in accordance with agreed timetables. The status of Internal Audit recommendations is reported quarterly to the Audit Committee.

The overall opinion of the Head of Internal Audit was that there was evidence that the risk management, control and governance framework within the Social Security Agency was Satisfactory and allowed sufficient, effective and efficient achievement of objectives. In addition the Head of Internal Audit has awarded an overall satisfactory opinion for 2013-14 in respect of Agency's resource and benefit expenditure categories. I have also received an overall satisfactory opinion in respect of the systems administered by staff within the Department for Employment and Learning in the delivery and payment of Jobseeker's Allowance.

Enterprise Shared Services

I draw assurance from the audit opinion received from the Head of Internal Audit (HIA) in the Department of Finance and Personnel on the various components of Enterprise Shared Services (ESS). These include Account NI which is responsible for the Department's transaction processing, HR Connect which is responsible for the Department's Human Resource arrangements and IT Assist which provided our IT support services. I note that the HIA in DFP has provided a satisfactory audit opinion on ESS overall.

The Risk and Control Framework

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

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

The Agency's Corporate Risk Management Framework details the risk policy, approach and operating procedures for managing risks within the Agency's business as usual environment. This includes:

- a risk identification process which helps develop a clear and common understanding amongst senior managers of the risks facing the Agency's business;
- ownership of key risks assigned at Director level with the responsibility and authority for implementing controls and assigning resources to manage them;
- evaluation of those risks which are determined to have Extreme or High residual rating to determine if they can be adequately managed via the Agency's risk register or if they should be escalated to the Department's risk register; and
- risk assurance through the Agency's monitoring and reporting mechanisms, e.g. Agency Annual Review, Internal Audit annual reviews and the work of the Agency Audit Committee.

At the beginning of 2013-14 AMB conducted a review of its Corporate Risk Register for 2012-13, alongside the Agency's Balanced Scorecard for 2013-14, and agreed the key corporate risks for 2013-14. One new risk area was identified in relation to the failure to implement cultural change impacting the delivery of our vision and service proposition. In-year, AMB agreed the closure of the risk in relation to the failure to deliver the Employment and Support Allowance appeals recovery plan by July 2013. This was as a result of the appeals workload being fully recovered. In line with the Risk Management Framework AMB escalated the existing risks in relation to HR Policies and Strategies and delays to the passage of the Welfare Reform legalisation, to the Departmental Board. AMB was content that the remaining risks could be adequately managed via the Agency's risk management arrangements.

As Accounting Officer I also have responsibility for overseeing a portfolio of reform and modernisation projects. These projects are managed and monitored in line with best practice in project and programme management and adhere to DFP governance and assurance requirements.

Risk Management forms an integral part of project planning and product delivery. As part of the Agency's approach to Risk Management, a specific risk management strategy has been adopted for the management of risks identified in programme and projects.

To further enhance assurance reporting in respect of the Agency's key corporate risks we will undertake an assurance mapping exercise during 2014-15. The Corporate Risk Management Strategy - A Project Approach, which dovetails with the Risk Management Framework, details the risk policy, approach and operating procedures for managing risks within the Agency's programme and project environment. The individual project/programme risk registers are reviewed at Project Board meetings and those risks with a High or Extreme residual rating are presented monthly at Modernisation Board or Universal Credit Programme Board meetings. If considered appropriate, these Boards may escalate the High or Extreme risks to Agency and / or Departmental Board.

Data Security

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

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

- confirmation that the Departmental Information Security Policy, Information Risk Policy, Information Transfer Guidance and Personal Information Policy are being used throughout the Agency;
- security accreditation of computer systems, this includes the accreditation of specific Northern Ireland systems used by the Agency in line with HM government standards; and,
- deployment of Security Specialists to monitor operational procedures, provide assurance that management controls are in place and; operating effectively, that systems are secure and being used appropriately and that all relevant guidance is being adhered to.

During 2013-14, a dedicated Information Security Unit was established within the wider Benefit and Information Security Division, to support the work of the Information Assets Owner in leading the Agency's focus in this important area of the business. The team took forward a programme of continual improvement, with five key areas of the Agency's information security selected for review. Those reviews, focused on areas of high risk including third party information handling, bogus callers and information asset controls, with recommendations for further strengthening agreed by the Agency's Management Board. Implementation of those recommendations is being taken forward in the current year.

Aside from risks to information through process or insecure handling, the other key area of risk is access to customer details held on the Agency's computer systems. A specialist team of system access analysts, known as the Audit trail Analysis team, was also established during the 2013-14 year and forms part of the wider Information Security Unit.

The Agency dovetails its information risk management with the policies and processes adopted by the Department, which has a Senior Information Risk Owner at Board level. Oversight of the Agency's adherence to information security and compliance with best practice in the day to day running of the business is provided by the heads of each branch, with support and direction provided by the Agency's Information Security Unit (ISU) and the Information Asset Owner (IAO). All of the Agency's information assets are now recorded on a single information asset register with each business area reporting regularly to the ISU and IAO in respect of changes to the register. Breaches of information security are also monitored closely by the ISU and IAO via minor and major incident monthly reports to ensure that appropriate action is taken.

Personal Data Related Incidents

During 2013-14 there were five personal data related incidents reported; two incidents where personal data was lost and three incidents where access to personal data did not comply with Data Protection requirements. However, internal action was sufficient to address the incidents and formal referral to the Information Commissioner's Office was not required.

Welfare Reform and Universal Credit - Governance Arrangements

The programme of Welfare Reform changes and specifically the introduction of Universal Credit represent the most substantial and widespread changes to the welfare system in the last sixty years. The principles and policy intent include simplifying the benefit system, to make work pay, and to control the rate of increase in the costs of the social welfare system. The delivery of the programmes and the new reforms involve significant challenges both in terms of timescales, and the impact of change on the existing Agency structure, operational and IT delivery models and funding arrangements. In addition to the wide scale changes for the Agency there are also external bodies and enablers whose input is essential to ensure the successful delivery of the new programmes.

Universal Credit is a DSD led programme. A Senior Sponsorship Group, chaired by the DSD Permanent Secretary has been established to raise the strategic profile of Universal Credit across other government departments and to provide input into the strategic direction of the programme ensuring strategies are aligned with other Government objectives. As the Agency's Chief Executive, I have been appointed the Senior Responsible Owner of the Universal Credit programme reporting to the DSD Permanent Secretary. Regular Programme Board meetings are also held to review progress with the key project milestones and to ensure that updates and issues are clearly communicated and visible to all key stakeholders.

An update on Universal Credit is provided for each Committee meeting. An update is also presented to each Departmental Audit and Risk Committee meeting. In addition the Executive Sub-Committee on Welfare Reform, established by the Northern Ireland Assembly, holds meetings on a regular basis to discuss the progress on the various initiatives within the reform programme.

The governance arrangements surrounding the Welfare Reform/Modernisation Programme are regularly reviewed to ensure that they continue to incorporate best practice in programme and project management. The governance structure in place provides the necessary assurance to Agency senior management and also ensures that arrangements are in accordance with Department of Finance and Personnel (DFP) guidance.

Significant Internal Control Issues

The Agency has identified the following significant internal control challenges. These will continue to be regularly monitored and updates provided to the Agency Management Board and the Agency Audit Committee.

For the 2013-14 year the NI Comptroller and Auditor General (C&AG) has again qualified his opinion on the regularity of benefit expenditure, with the exception of State Pension (SP). This is due to the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Assembly; and because of the level of over and underpayments in such benefit expenditure which are not in conformity with the relevant authorities.

During 2013-14, sustaining performance on fraud and error remained one of the Agency's key business priorities. The regular monitoring and measuring of Official Error, Customer Error and Customer Fraud continued throughout the year as part of the Agency's Financial Accuracy and Benefit Review processes.

For the 2013 year the Agency maintained the lowest ever reported level of benefit overpayments. This performance has now been sustained for three consecutive years; during this period benefit expenditure increased from £4.5b to £4.8b. The amounts for estimated benefit overpayments are as follows:

- 2013 - estimated overpayments of £45.6m or 0.9% of total benefit spend.
- 2012 - estimated overpayments £42.7m; 0.9% of total benefit spend.

The position with benefit underpayments was:

- 2013 - estimated underpayments were £24.7m; 0.5% of total benefit expenditure.
- 2012 - estimated underpayments were £17.1m; 0.4% of total benefit expenditure.

The maintenance of the estimated level of overpayments at 0.9% is commendable taking account of the existing low levels of fraud and error and the ongoing pace of change with the implementation of the various Welfare Reform and modernisation initiatives.

Throughout the 2013-14 year the Agency continued to develop its wide range of activities to reduce fraud and error. The approach to this challenge is multi-dimensional involving case intervention, checking cases to prevent or detect error, and staff accuracy meetings. It includes the extensive work undertaken by the Error Reduction Division to prevent and detect staff error, and the fraud compliance and intervention staff within the Agency's Single Investigation Service in addressing customer fraud and error. The Agency continued to fully utilise its risk based targeting approach; given that managing and understanding intelligence is essential to the Agency to enable focus on those threats posing greatest risk. This ensures the Agency is making the most effective use of resources, maximising the impact of work to increase financial accuracy levels and to reduce fraud and error. During the reporting period application of the risk based approach provided an effective method of identifying those cases requiring adjustment and ensured error reduction activity represented best value for money.

During the 2013-14 year the Agency maintained its co-operation with the NI Audit Office (NIAO) on the National Fraud Initiative (NFI). As part of the NFI 2012 the Agency identified exercises to expand the range for data matches and this resulted in new data sharing arrangements with the participation of the Department of Agriculture and Rural Development. The Agency's Fraud and Error Reduction Board continued to set the strategic direction for benefit fraud and error activity, evaluating operational responses directly from the business and providing assurance on performance to the Agency Management Board.

The Agency continues with the implementation of the significant fraud and error modernisation programme and is working closely with the Department for Work and Pensions (DWP) in GB and HM Revenue and Customs (HMRC). The key developments throughout the 2013-14 year have been:

- **Single Investigation Service (SIS)**
  April 2013 saw the establishment of the new Single Investigation Service which tackles customer fraud and error across all social security benefits by investigating everything from those who deliberately commit fraud to those who make genuine mistakes.

  Phase 1 of the Service brought together the Agency's staff tackling customer fraud and error into a single, more cohesive, organisation.
  Plans are in place for Phase 2 of the Single Investigation Service and the consideration of co-locating Tax Credit fraud investigations to enable joint prosecutions. Within Phase 2 the fraud hotline service will also be expanded to accommodate reporting of all benefit and tax credit frauds.

- **IT Systems**
  In participation with DWP, the Agency's Fraud and Error Project Team is developing new IT systems and new data sources to enhance future fraud and error activity - with particular focus at the gateway- the point of entry to a benefit claim.

- **Legislative Initiatives (Increased Fraud Penalties, Loss of Benefit)**
  The Welfare Reform programme will see liaison with the Northern Ireland Executive to deliver required legislative changes to implement an enhanced range of options to deal with customer fraud and error.

- **Better Communication**
  The Agency will consider how best to publicise fraud outcomes and claimant responsibilities to inform customers and staff of the consequences and the possible penalties of being convicted for benefit fraud.

It is important to recognise that administering a complex benefit system to a high degree of accuracy in a cost effective manner is a significant challenge. Despite that challenge, the Agency has now achieved record low levels of loss for a sustained period therefore, given this success, and as recognised within the C&AG audit report, it may be difficult to reduce the estimated levels of fraud and error further from their current level particularly because of potential Welfare Reform changes. Nonetheless, tackling fraud and error will continue to be a business priority for Agency, including a specific focus on dealing with the potential for new and emerging risks arising from the Welfare Reform changes.

Social Fund White Paper accounts

The Agency is responsible for the production of the NI Social Fund White Paper accounts. For a number of years these accounts have been qualified on the same basis of irregularity as the Agency annual accounts; this is due to the estimated level of official error in Social Fund benefit expenditure. The audit of the 2012-13 NI Social Fund accounts is complete and due to the low levels of official error for the 2012 year the qualification has now been removed from the accounts. This is the first unqualified audit report in six years and it is a substantial achievement by the Agency.

Welfare Reform Bill

The ongoing delay in the Welfare Reform Bill (NI) 2012 completing its legislative passage through the Assembly continues to pose a significant risk and control issue for the Department and Agency. This is beginning to impact on the administration of the welfare system in Northern Ireland with the Agency accruing associated financial costs in the interim.

The continuing delay in getting the Bill through the Assembly is creating operational challenges in order to ensure services are not impacted upon by the pace of reform in the Department of Work and Pensions and their changes to IT systems. The delay is increasingly putting at risk the delivery of critical social security benefits and tax credit payments for over 400,000 people and families in Northern Ireland. This is because the failure to pass the legislation will mean the legislative frameworks for social security in Northern Ireland and Great Britain will increasingly diverge, coupled with the IT systems which currently enable the Social Security Agency to process and pay the existing benefits replaced by the Department of Work and Pension with new systems to support the new benefits.

During 2016 and 2017 most of the existing working age benefit claimants in Great Britain will move to Universal Credit. This means the existing IT functionality for new claims for working age claimants will no longer be available. As the Social Security Agency uses the DWP IT systems to process and pay working age benefits then alternative arrangements may need to be made if Northern Ireland does not have the necessary legislative power to make payments under Universal Credit.

In order to support the retention of the existing working age tax credits and social security benefits, Northern Ireland would need to develop its own specific Information Technology systems to deliver the current social security benefit and tax credit regimes as these systems are closed by DWP and HMRC. Developing a standalone information technology system in Northern Ireland would have significant financial, legislative, procurement and operational implications.

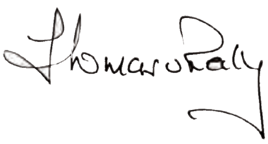
The introduction of Welfare Reform in Great Britain has also seen the discretionary elements of Social Fund (Community Care Grants and Crisis Loans for Living Expenses) being abolished and the funding transferred from central government to local authorities. Northern Ireland has secured the necessary funding transfer to continue to fund Community Care Grants and Crisis Loans for Living Expenses in Northern Ireland and to continue to use the Department for Work and Pensions Social Fund Computer System. This will allow social fund payments to continue until the Welfare Reform Bill has passed through the Assembly.

These operational challenges will only increase as the Department for Work and Pension completes the changes to the welfare system, resulting in additional cost as the Agency puts in place measures to address the benefit systems increasingly moving out of alignment.

The Agency is keenly aware of the need to consider the timeframes for the Welfare Reform changes in Great Britain (GB) in order to avoid further operational and financial costs. The Agency is monitoring changes to the IT systems in GB that support the legacy benefits to ensure that timely and accurate benefit payments are maintained. The Departmental and Agency Management Boards are closely monitoring the progress on the Welfare Reform Bill and consideration is being given to contingency arrangements that are necessary to manage the issues as detailed above.

Conclusion

I am satisfied that the Agency has an effective governance structure and is operating to a high standard of integrity and probity. In signing this report I have taken assurances from the Social Security Agency's Audit Committee and I will continue to monitor Internal Audit, Northern Ireland Audit Office and Public Accounts Committee recommendations to ensure that all issues are addressed.



TOMMY O'REILLY
CHIEF EXECUTIVE
27 JUNE 2014

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

I certify that I have audited the financial statements of the Northern Ireland Social Security Agency for the year ended 31 March 2014 under the Government Resources and Accounts Act (Northern Ireland) 2001. These 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 information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as 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 Northern Ireland Social Security Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Social Security Agency; 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 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 £4.8 billion, of which £1.9 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 £2.9 billion, the estimated levels of fraud and error, as reported in Note 26 to the financial statements resulted in total overpayments of £45 million and underpayments due to official error of £15.2 million. 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 both over and underpayments arising because of official error are irregular because the Agency is required to calculate benefits in accordance with primary legislation which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid.

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

Qualified opinion on regularity

In my opinion, except for the £60.2 million of incorrect benefit expenditure attributable to fraud and error referred to above, in all material respects 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 Northern Ireland Social Security Agency's affairs as at 31 March 2014 and of the net operating cost, cash flows and changes in taxpayers' equity 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 and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Chief Executive's Report and Management Commentary 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 part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

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

K J Donnelly

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

01 JULY 2014

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

		2013-14 £'000			2012-13 £'000		
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income
Resource Costs:							
Staff Costs	2	148,310			144,316		
Other resource costs	3		70,431			72,072	
Operating Income	8			(38,710)			(38,533)
Programme Costs							
Staff Costs	2	-			-		
Programme Costs	4		4,769,680			4,650,166	
Income	8			(6,360)			(6,096)
Totals		**148,310**	**4,840,111**	**(45,070)**	**144,316**	**4,722,238**	**(44,629)**
Net Operating Cost				**4,943,351**			**4,821,925**

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014 (Continued)

Other Comprehensive Net Expenditure	2013-14 £'000				2012-13 £'000		
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income
Items that will not be reclassified to net operating costs:							
Net Gain/(loss) on revaluation of Property Plant and Equipment	9			1,464			(373)
Net gain/(loss) on revaluation of intangibles	10			125			16
Items that may be reclassified to net operating costs:							
Net Gain/ (loss) on revaluation of available for sales financial assets.							
				1,589			(357)
Total Comprehensive Net Expenditure for the Year Ended 31 March 2014				4,941,762			4,822,282

The notes on pages 95 to 173 form part of these accounts.

Statement of Financial Position as at 31 March 2014

	Note	31 March 2014		31 March 2013	
		£'000	£'000	£'000	£'000
Non-Current Assets:					
Property, Plant and Equipment	9	14,654		10,445	
Intangible Assets	10	657		602	
Trade and Other Receivables	13	92,560		91,701	
Total non-current assets			107,871		102,748
Current Assets:					
Trade and Other Receivables	13	104,627		135,586	
Cash and Cash Equivalents	14	-		2,871	
Total Current Assets			104,627		138,457
Total Assets			212,498		241,205
Current Liabilities					
Trade and Other Payables	15	(121,627)		(94,347)	
Provisions	16	(554)		(773)	
Total Current Liabilities			(122,181)		(95,120)
Non-current assets plus/less net current assets/liabilities			90,317		146,085
Non Current Liabilities					
Provisions			(227)		(110)
Total Non Current Liabilities	16		(227)		(110)
Total Assets less liabilities			90,090		145,975
Taxpayers Equity:					
General Fund			87,164		144,605
Revaluation Reserve			2,926		1,370
Total Taxpayer's Equity			90,090		145,975

The notes on pages 95-173 form part of these accounts.

TOMMY O'REILLY
CHIEF EXECUTIVE
27 JUNE 2014

Statement of Cashflows for the Year Ended 31 March 2014

	Note	Year Ended 31 March 2014 £'000	Year Ended 31 March 2013 £'000
Cash flows from operating activities			
Net Operating Cost		(4,943,351)	(4,821,925)
Adjustment for non-cash transactions	3,4,16	18,085	22,549
(Increase)/decrease in net trade and other receivables	13	30,100	(39,644)
(Increase)/decrease in paying agents	14	2,871	(700)
Increase/(decrease) in net trade and other payables	15	27,280	(22,513)
Use of provisions	16	(272)	(234)
Net cash outflow from operating activities		(4,865,287)	(4,862,467)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(79)	(602)
Purchase of intangible assets	10	(81)	(73)
Net cash outflows from investing activities		(160)	(675)
Cash flows from financing activities			
Request for Resources A	1.23	2,453,109	2,470,908
National Insurance Fund		2,344,854	2,298,816
Social Fund	1.23	58,176	74,211
Amounts due from/(to) consolidated fund - financing	13,15	3,366	3,097
Amounts due from the consolidated fund - financing NIF	13	5,942	16,110
Net Financing		4,865,447	4,863,142
Cash and cash equivalents at the beginning of the Year	14.2	-	-
Cash and cash equivalents at the end of the Year	14.2	-	-
		-	-

The notes on pages 95-173 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2014

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2012		82,307	1,738	84,045
		-	-	-
Opening Balance at 1st April 2012		**82,307**	**1,738**	**84,045**
Changes in Taxpayers' Equity for 2012-13 (restated)		-	-	-
Net gain/(loss) on revaluation of land, buildings, information technology & furniture and fittings	9	-	(373)	(373)
Net gain/(loss) on revaluation of intangible assets	10	-	16	16
Net cash inflow from financing		4,863,142	-	4,863,142
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Expenditure for the Year		(4,821,925)	-	(4,821,925)
Non-cash changes - auditor's remuneration	3	106	-	106
Non-cash changes - other notional charges	3	20,960	-	20,960
Movements in Reserves		-	-	-
Additions		-	-	-
Recognised in Statement of Comprehensive Expenditure		-	-	-
Rounding		(1)	-	(1)
Inter-Company Fixed Asset Transfers	9	5	-	5
Transfer between Reserves		11	(11)	-
Balance at 31 March 2013		**144,605**	**1,370**	**145,975**

The notes on pages 95-173 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2014 (Continued)

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Changes in Taxpayers' Equity for 2013-14				
Balance at 31 March 2013		144,605	1,370	145,975
Net gain/(loss) on revaluation of land, buildings, information technology & furniture and fittings	9	-	1,464	1,464
Net gain/(loss) on revaluation of intangible assets	10	-	125	125
Net cash inflow from financing		4,865,447	-	4,865,447
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Expenditure for the Year		(4,943,351)	-	(4,943,351)
Non-cash changes - auditor's remuneration	3	106	-	106
Non-cash changes - other notional charges	3	20,325	-	20,325
Movements in Reserves:		-	-	-
Additions		-	-	-
Recognised in Statement of Comprehensive Expenditure		-	-	-
Intercompany Fixed Asset Transfers	9	-	-	-
Rounding		(1)	-	(1)
Trsf between Reserves for Realised Depreciation on Impairment exercise		33	(33)	-
Balance at 31 March 2014		87,164	2,926	90,090

The notes on pages 95-173 form part of these accounts.

Notes to the Accounts for the Year Ended 31 March 2014

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) 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 Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency for the year ending 31 March 2014 are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (NI) Orders 1986 and 1990, accounting standards issued or adopted by the Accounting Standards Board, International Financial Reporting Standards and accounting and disclosure requirements issued by the Department of Finance and Personnel as far as those requirements are appropriate.

Management have reviewed the other 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.

1.1 Accounting Convention

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

1.2 Financial Instruments

The following are the key accounting policies used from 1 April 2013 to reflect the adoption of Financial Instruments under the IFRS (IAS 32, IAS 39 and IFRS 7).

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 between the 1 April 2013 - 31 March 2014 recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

The Agency categorises the following account balances to be Financial Instruments:

(i) Cash and Cash Equivalents
- Programme and Resource Financing
- Cash with Paying Agents
- Encashment Control
- NIF Debtor
- Cash In Transit

Cash and cash equivalents comprise of 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 of funding voted by the Northern Ireland (NI) Assembly to meet the Agency's resource requirements (Programme and Resource Financing), Encashment Control, and Cash with Paying Agents. Cash with Paying Agents are monies deposited with Santander Corporate Banking to facilitate benefit payments to customers. The NIF debtor represents the balance at the year end of the funding provided to the Agency by Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits. The Encashment Control represents the balance of cheques outstanding at the year end. In accordance with the Method of Payment Reform (MOPR), initiatives, the last cheque for payment of benefit was issued by the Agency in July 2013. All benefit cheque payments have therefore been accounted for in 2013-14 financial year and this is reflected in the year end encashment control balance.

The Cash in Transit amount reflects purely a timing difference at the year end in the funding and payment of benefit expenditure (See Note 1.12).

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

(ii) Loans and Receivables
- Benefit Overpayment Receivables
- Social Fund Loans

Loans and receivables are non derivative financial assets with fixed or determinable payments which are not quoted on an active market and which are not classified as available for sale. 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 Agency applies a discount factor to estimate the present value of the cash flows. The discount factor for 2013-14 was 2.2%, (2012-13: 3.5%). The change in rate for 2013-14 is in accordance with the accounting requirements per IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

(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 Agency assesses at the end of the accounting period 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 accounting period end 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 Agency is exposed follow below.

Liquidity Price Risk

The Agency's Resource and Programme expenditure requirements are financed by funds voted by the Northern Ireland (NI) Assembly and Parliament as is its non-current asset expenditure. It is not, therefore, exposed to significant liquidity risks.

Credit Risk

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

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the Statement of Financial Position. For Benefit Overpayment Receivables and Social Fund Loans the exposure to credit risk is the amount of the receivable or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Agency is exposed to is the balance of the net Benefit Overpayment Receivables and the net Social Fund Loans, disclosed in Note 13 of the accounts.

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

The economic downturn may also increase the amount of credit risk the Agency is exposed to for future reporting periods. This may potentially impact on the progress of recovery 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 Agency 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% (2012-13: 3.5%).

The Treasury's discount rate is substantially independent of changes in market interest rates.

Sensitivity Analysis

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

1.3 Benefit Overpayment Receivables

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

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.

Overpayments are referred to Debt Management for collection using overpayment recovery procedures appropriate to the respective nature of the overpayment.

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 Agency includes impairment in respect of an element of benefit overpayment receivables that could be subject to challenge and consequently written off.
A discount factor (2.2%) is also applied to the benefit receivables balance at the end of the accounting period to estimate the present value of cash flows. (2012-13: 3.5%).

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

(i) Those due to official error where there is no statutory right of recovery;

(ii) Cases satisfying Agency waivers policies; and/or

(iii) The customer is deceased and there is insufficient estate to recover debt.

(Categories (ii) and (iii) are initially recorded as receivables and are subsequently written off, when the relevant criteria is met).

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

Agency Waivers and other benefit overpayment write-offs are decided within Debt Management. and are subject to management review and agreement. The Agency also undertakes additional management reviews on the quality and consistency of write-off decisions through periodic business management and risk assurance checks. Any performance issues resulting from this assurance process are formally addressed through revised guidance and training.

1.4 Estimation Techniques

Financial Instruments - Fair Value Adjustment:

(i) The fair value adjustment of a Financial Instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties. Where the classification of a Financial Instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to present value.

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

Benefit Overpayment Receivables

The estimation technique employed in the calculation of Benefit Overpayment Receivable is disclosed in Note 1.3.

Employee Benefits

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

Provisions

The estimation technique employed in the calculation of Provisions is disclosed in Note 1.19.

NHS Trusts' balance

An exercise is completed each year by the Agency'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 13 (e) (i).

1.5 Property, Plant and Equipment (PPE) and Intangible Assets

Expenditure on Property, Plant and Equipment (PPE) and Intangible Assets costing more than the prescribed capitalisation level for each asset category, and which has an expected useful life of more than one year, is treated as a non-current asset.

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

Externally and internally developed computer software costing greater than the £5,000 capitalisation 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 bring them into working condition. PPE and Intangible Assets are then included in the Statement of Financial Position at their net current replacement cost.

Land and Buildings are stated at current cost using professional valuations applied by the Land and Property Services (LPS) every five years and appropriate indices in intervening years. The valuations are carried out by members of the Royal Institute of Chartered Surveyors (RICS) in accordance with procedures laid out in the RICS Appraisal and Valuation Manual. The last valuation was completed on the 31 March 2014. Property, plant and equipment and intangible assets are revalued annually by reference to appropriate HM Treasury approved indices. (The revaluations for the previous 2012-13 financial year were based on HM approved indices applicable at December 2012).

1.6 Depreciation and Amortisation

Property, plant and equipment and intangible assets are depreciated and amortised respectively 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 an asset is available for use, and not in the month of disposal.

The estimated useful economic lives used to calculate depreciation are:

Buildings and property improvements	5 to 60 years
Information technology	3 to 10 years
Furniture and fittings	3 to 10 years
Computer software	3 to 5 years
Intangible Assets	5 to 10 years

The overall useful life of the Agency'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.

No depreciation is provided on freehold land.

1.7 Land and Buildings and Property Improvements

Land and buildings within the Statement of Financial Position include the Belfast Benefit Centre located at 31 Chichester Street, Belfast, and the Lisahally Processing Unit located at 28 Temple Road, Lisahally.

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

Most of the remaining buildings occupied by the Agency form part of the Government Estate. An assessment of the rent which would be payable on an open market basis is charged to the Agency's Statement of Comprehensive Net Expenditure within notional costs (Note 3.3).

1.8 Income

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

Programme income comprises of repayments of benefits recouped from Child Maintenance Services (CMS) Income, and from insurance companies which is referred to as Compensation Recovery Unit (CRU) Income.

Operating income is stated net of VAT.

1.9 Resource and Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between resource and programme income and expenditure. The classification of expenditure and income as resource or programme follows the definitions set out in FReM.

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

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

The NI Social Fund White Paper Accounts are prepared by the Agency. These are cash based accounts and comprise of a receipts and payments account, a statement of balances and the related notes including a breakdown of Social Fund loan balances outstanding. The NI NIF White Paper Accounts are cash based accounts and are prepared by HMRC. The Agency provides financial information to HMRC to facilitate the NI NIF accounts production process.

Note 1.23 below advises of changes to the budgeting arrangements for certain elements of Social Fund discretionary benefits i.e. Crisis Loans and Community Care Grants. These changes were effective from 01 April 2013 and are reflected in the notes to the accounts.

1.10 National Insurance Fund (NIF)

Contributory benefits funded from the NIF and the costs to the Agency of administering the NIF are included in the Statement of Comprehensive Net Expenditure under programme and resource costs respectively. The NIF provides financing to the Agency to cover the contributory benefit expenditure and the balance at the year end is included within Trade Receivables, Note 13. Per Note 1.8, NIF financing for resource costs incurred by the Agency is included within Income in the Statement of Comprehensive Net Expenditure. The financing from the NIF shown in the Statement of Cash Flows is the net financing due to the Agency for the contributory benefits funded by the NIF.

1.11 Inventories

Inventories consist solely of consumable items and are therefore expensed in the year of purchase to the Statement of Comprehensive Net Expenditure.

1.12 Cash and Cash Equivalents

Due to funding requirements it is Departmental policy to hold and manage centrally all operational bank accounts including those used by the Agency. For openness and transparency the Agency shows its attributable proportion of the Departmental bank account balance for both resource and programme expenditure. Accordingly the attributable proportion of the centrally held bank balances for the Agency are disclosed under receivables/payables in the accounts as 'Resource or Programme Financing - Amounts due to/from the Department' (Notes 13 & 15).

The total of the centrally held bank balances are disclosed in the Departmental Resource 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 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 difference in the recording of the expenditure, and the movement of the funds to make the payments creates a payables (or creditor) 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.

1.13 VAT

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

1.14 Leasing

The leases the Agency currently holds are all regarded as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term. Details of these charges are included in Note 3.2.

1.15 Pension Costs

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

1.16 Early Departure Costs

The Agency must meet the additional costs of benefits beyond the normal PCSPS(NI) benefits for employees who retire early from the date of their retirement until they reach normal pensionable age. The Agency provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes. The total costs are recognised in the year in which the announcement is made and the obligation is binding on the Agency. The estimated payments are discounted at the Treasury discount rate of 1.8% in real terms.

1.17 Employee Benefits

Under the requirements of IAS 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 annual leave amount outstanding per employee as at 31 March 2014, multiplied by the actual staff salary rate. Employers NIC 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. (See Note 15).

1.18 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses for parliamentary 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.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 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 IAS 37 are stated at the amounts reported to the Northern Ireland Assembly.

1.19 Provisions

The Agency provides for legal or constructive obligations, which are of uncertain timing or amount at the accounting period end date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. Provisions can relate to early retirement costs, superannuation contributions, potential legal actions and provision for future liabilities in respect of contracts, as the Agency considers appropriate. 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 -1.9%, (2012-13: -1.8%) for short-term provisions between 0 and 5 years from the SoFP date, and it is applicable to the Personal Injury and Equal Opportunities provisions. The discount rate for the Early Departure provision is 1.8% (2012-13: 2.35%).

During the year to 31 March 2014 an assessment against IAS 37 Provisions, Contingent Liabilities and Contingent Assets was undertaken on Agency benefit related provisions i.e. the Compensation Recovery Unit (CRU) provision. As a result the remaining CRU provision amount, after in year utilisation, was written back. Details on compensation recoveries are disclosed within Contingent Liabilities (Note 20).

1.20 Funding from the 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 Agency's General Fund.

1.21 Operating Segments

IFRS 8 Operating Segments requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Agency's Chief Operating Decision Maker (CODM) in order to allocate resources to the segment and assess its performance.

The Agency has completed a review against the criteria set out in IFRS 8 and considers that the disclosure format within the accounts meets IFRS 8 criteria. The Agency's 'Resource' expenditure represents 3.6% of total spend and therefore does not meet the 10% threshold set out in IFRS 8. The Agency's 'Programme' expenditure represents the remaining 96.4%.

Programme expenditure is reported quarterly to the Agency Management Board and details the spend for each of the main social security benefits. The Agency's annual accounts also provide detailed information on Programme expenditure.

1.22 Payment Accuracy

In Note 26 to the accounts, 'Payment Accuracy' the Agency has detailed the estimated amounts for the calendar year 1 January 2013 to 31 December 2013 of overpayments and underpayments arising from social security benefit fraud and error. The note details the methodology used to determine the estimated over and underpayments, highlights any recent changes to the methodology used, and provides a breakdown for the current and prior year of the total over and under payments attributable to official error, customer error and customer fraud.

1.23 Changes to the Social Fund 01 April 2013

The GB Welfare Reform Act 2012 introduced significant changes to Social Fund Provision in GB from 01 April 2013 with discretionary elements of Social Fund (Community Care Grants (CCG) and Crisis Loans for living expenses (CL)) being abolished to be replaced by schemes administered by Local Authorities in England and the devolved administrations in Wales and Scotland.

A related funding transfer accompanied this change.

The Welfare Reform Bill (NI) 2012 contains similar provision to the GB legislation repealing discretionary elements of Social Fund (CCG and CL) and introducing new Discretionary Support Provision. During 2013-14 however the Social Fund scheme continues to be administered under existing Social Fund legislation. In line with the transfer of funding to Local Authorities in GB, funding for discretionary elements of Social Fund in NI transferred from Annually Managed Expenditure (AME) to Departmental Expenditure Limit (DEL) on 01 April 2013.

The change in funding arrangements for Community Care Grants has been reflected in Note 4 Programme Costs, Note 5 Benefit Expenditure paid from the Consolidated Fund and Note 7 Benefit Expenditure paid from the Social Fund.

The balance for Crisis Loans at the year end remains within Note 13 - Trade receivables and other current assets and the fair value adjustments is reflected in Note 4, Programme Costs, Note 5 Benefit Expenditure paid from the Consolidated Fund and Note 7 Benefit expenditure paid from the Social Fund.

1.24 Prior Period Disclosure - Operating Leases

As part of the 2013-14 accounts production process the Agency found that the 2012-13 prior year figures stated within Note 3.2 included amounts incorrectly disclosed as operating leases. The Agency has therefore restated the 2012-13 prior year figures to include only the payments relating to operating leases. (See Note 3.2).

SOCIAL SECURITY AGENCY

2. Staff numbers and related costs

2.1 Staff costs comprise:

	2013-14			2012-13
	Permanently employed staff £'000	Others £'000	Total £'000	Total £'000
Wages and salaries	117,574	1,960	119,534	116,446
Social security costs	7,670	-	7,670	7,541
Other pension costs	21,148	-	21,148	20,379
Subtotal	146,392	1,960	148,352	144,366
Less recoveries in respect of outward secondments	(42)	-	(42)	(50)
Total net costs	146,350	1,960	148,310	144,316

Staff costs exclude £0.081m charged to capital projects during the year (2012-13: £0.073m) Included in Others - Wages and Salaries costs is an amount of £0.836m for specialist professional services.

Superannuation scheme
The PCSPS(NI) is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out at 31 March 2010. The pension scheme liability reported to DFP Superannuation and Other Allowance Resource Accounts last year was as at March 2010, however, work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resource Accounts for 2014.

For 2013-14, employer contributions of £21.148m were payable to the PCSPS(NI) (2012-13: £20.379m) at one of four rates in the range 18% to 25% of pensionable pay (2012-13: 18% to 25%), based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new valuation scheme based on the data as at 31 March 2012 is currently being undertaken by the Actuary to review employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2014-15 the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 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, a stakeholder pension with an employer contribution. Employer contributions of £0.034m (2012-13: £0.024m) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% (2012-13: 3%) to 12.5% of pensionable pay (2012-13: 12.5%). Employers also match employee contributions up to 3% (2012-13: 3%) of pensionable pay. In addition, employer contributions of £0.002m (2012-13: £0.002m), 0.8% of pensionable pay (2012-13: 0.8%) were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2014 were £nil (2012-13: £nil).

In 2013-14, 14 individuals (2012-13: 15) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.024m (2012-13: £0.033m).

2.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2013-14			2012-13
	Permanently staff	Others	Total	Total
Directly employed	4,792	-	4,792	4,834
Other	-	160	160	102
Staff engaged on capital projects	-	-	-	-
Total	4,792	160	4,952	4,936

2.3 Reporting of Civil Service and other compensation schemes - exit packages 2013-14

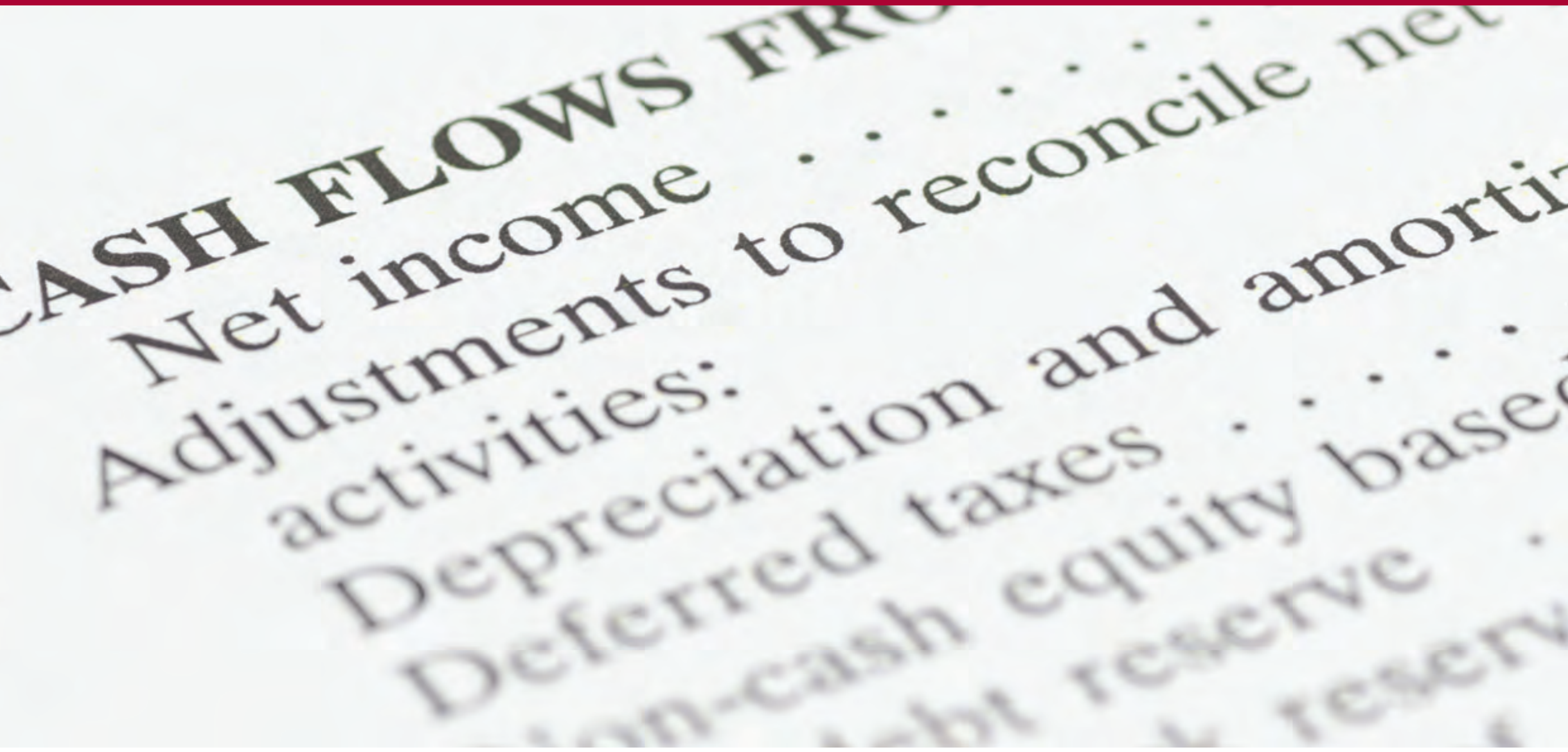
	2013-14			2012-13		
Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost) (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost) (£)
< £10,000	-	4	15,974	-	7	27,260
£10,000 - £25,000	-	7	98,449	-	3	43,499
£25,000 - £50,000	-	5	201,178	-	3	99,930
£50,000 - £100,000	-	-	-	-	1	54,881
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
£200,000 - £250,000	-	-	-	-	-	-
Total number of exit packages by type (total cost)	-	16	-	-	14	-
Total Resource Cost	-	-	315,601	-	-	225,570

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 on behalf of the Agency, the additional costs are met by the Agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

3. Other Resource costs

	Note	2013-14 £'000	2012-13 £'000
SSBA charges		15,693	11,026
Service charges	3.4	12,814	13,086
Contracted services		10,179	11,912
Accommodation and related services		2,625	2,725
Postage		2,164	2,388
Miscellaneous expenditure		2,440	1,807
Medical adjudication		1,484	1,336
Travel and subsistence		1,345	1,386
Information technology costs		1,234	707
Printing and stationery		989	1,096
Telecommunication		386	817
Management consulting		382	733
Staff training		197	268
Rent and service charges		69	65
Non-cash items:			
Notional costs	3.3	20,325	20,960
Permanent diminution	9,10	-	657
Provision provided in year	16	749	370
Depreciation	9	516	497
Amortisation	10	151	153
Auditor's remuneration	3.1	106	106
Loss on disposal of property, plant and equipment	9,10	10	2
Unwinding of discount	16	(4)	3
Provisions not required written back	16	(230)	(28)
Impairment Reversal		(3,193)	-
		70,431	72,072



3.1

The audit fee represents the cost for the audit of the Agency's financial statements carried out by the Northern Ireland Audit Office. There was no remuneration paid for non-audit work during the year.

3.2 Operating leases

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

	2013-14 £'000	Restated 2012-13 £'000
Other operating leases	76	75
Total	76	75

The figures for 2012-13 have been restated to reflect only the payments relating to operating leases. See Accounting Policies (Note 1.24).

3.3 Notional costs

Certain services are received by the Agency without the transfer of cash. The notional audit fee is disclosed at Note 3.1. Other notional amounts included in the net cost of operations are as follows:

	Note	2013-14 £'000	2012-13 £'000
Rent		15,843	16,242
Other indirect charges & services	(a)	4,482	4,718
Total		20,325	20,960

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

	2013-14 £'000	2012-13 £'000
Services provided and costs incurred by:		
DSD headquarters on behalf of the Social Security Agency	1,450	1,384
Other departments	3,032	3,334
Total indirect charges and services	4,482	4,718

Services from other departments include telecommunications, personnel and salary payment processing, training, finance and statistical services, financial processing and reporting services, and IT services provided to the Agency by DFP.

3.4

Service charge expenditure in 2013-14 of £12.814m (2012-13: £13.086m) includes £8.615m (2012-13: £10.715m) in respect of costs paid to ATOS for the provision of medical support services.

Included within Service charges is £0.100m representing payments to private sector collection agencies for the recovery of benefit overpayment receivables (2012-13: £0.118m).

4. Programme Costs

4.1 Analysis of Programme expenditure

Benefits funded by Consolidated Fund	Note	2013-14 £'000	2012-13 £'000
Benefits paid	4.1c	2,350,599	2,280,375
Fair value adjustments	4.1b	468	(2,318)
Impairment of programme debt written off	4.2/21	11,746	9,460
Movement on CRU provision		(222)	(112)
Programme expenditure	5	2,362,591	2,287,405

Benefits funded by National Insurance Fund	Note	2013-14 £'000	2012-13 £'000
Benefits paid	4.1c	2,345,117	2,289,027
Fair value adjustments	4.1b	317	1,560
Impairment of programme debt written off	4.2/21	3,112	3,455
Movement on CRU provision		(122)	(58)
Programme expenditure	6	2,348,424	2,293,984

Benefits funded by Social Fund	Note	2013-14 £'000	2012-13 £'000
Benefits paid	4.1c	55,718	69,234
Fair value adjustments	4.1b	(1,875)	(4,335)
Impairment of programme debt written off	4.2/21	4,822	3,878
Programme expenditure	7	58,665	68,777
Total Programme Expenditure		4,769,680	4,650,166

4.1a

The funding sources for social security programme costs are as follows.

The costs of non-contributory benefits (Benefits funded by the Consolidated Fund), their administration costs, and the administration costs of the contributory element of Jobseeker's Allowance are financed from money voted by the NI Assembly (or Parliament when devolution is suspended). These costs are met from general taxation through the Supply Estimates procedure. Estimates provision for non-contributory benefits and their administration costs are borne on the Department for Social Development Vote, Request for Resources A.

The costs of contributory benefits (Benefits funded by the National Insurance Fund) and their administration costs (apart from the contributory element of Jobseeker's Allowance and Employment and Support Allowance) is met from the NI National Insurance Fund. This is primarily financed by employers' and employees' National Insurance contributions and the Fund's investment income.

The Social Fund is in part, financed by grants from the Consolidated Fund which in 2013-14 were payable from DSD Vote Request for Resource A, line 17 (3) for regulated expenditure, line 18 (3) for Winter Fuel Payments. In addition, section 74(1) of the Social Security Administration (NI) Act 1992 provides for the repayment of loans, recoveries of which help finance the Fund; and section 74(4) of the Act provides that payments to meet funeral expenses may be recovered from the deceased person's estate.

Funding changes implemented in 2013-14 and are detailed in Accounting Policy note 1.23.

4.1b

The 2013-14 amount for Benefits funded by the Consolidated Fund - Fair value adjustments £0.468m includes an amount of -£0.469m for impairment and discounting charges for Crisis Loans. The comparative amount for 2012-13: -£0.372m is included within Benefits funded by the Social Fund - Fair Value Adjustments.

The fair value adjustments are in relation to benefit overpayment receivables and Social Fund Loan balances and are required as per the application of IAS 32, IAS 39 and IFRS 7. The discount factor for 2013-14 was 2.2% (2012-13: 3.5%). The change in rate for 2013-14 is in accordance with the accounting requirements per IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

4.1c

The 2013-14 amount for Benefits funded by Consolidated Fund Benefits paid is a total of £2,350.599m'. This includes an amount of £13.747m for Community Care Grant expenditure. The comparative amount for 2012-13: £13.497m is included within the total of £69.234m for Benefits funded by Social Fund - Benefits paid.

When the Agency identifies a benefit overpayment an adjustment to benefit expenditure is made in the financial year in which the overpayment has been identified, to recognise the benefit overpayment as a benefit receivable. The amount of the adjustment made in 2013-14 was £28.765m (2012-13: £30.356m); of which £22.774m (2012-13: £24.097m) is attributable to the

Consolidated Fund, £5.989m (2012-13: £6.256m) is attributable to the National Insurance Fund and £0.002m (2012-13: £0.003m) is attributable to the Social Fund.

The recoveries in relation to benefit overpayments for 2013-14 and 2012-13 are as follows:

Benefits funded by Consolidated Fund	2013-14 £'000	2012-13 £'000
Consolidated Fund	11,492	11,600
National Insurance Fund	2,348	2,199
Social Fund	44	56
	13,884	13,855

The amounts for benefits paid by the Consolidated Fund and the National Insurance Fund for both the 2013-14 and 2012-13 financial years include the amounts for CRU income which comprises of benefits which are due to be recovered from insurance compensators. This process is facilitated through the Agency's Compensation Recovery Unit (CRU). The amounts due from the insurance compensators are included within Programme Income and these are for 2013-14 £5.714m, (2012-13: £5.339m). (Note 8 also refers).

4.2 Impairment of debt written off

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

Benefits funded by Consolidated Fund	Note	2013-14 £'000	2012-13 £'000
Non-contributory benefits			
Disability benefits		2,547	2,686
Income support		2,692	2,733
Pension benefits		4,062	2,205
ESA income based		1,224	813
Other	4.2a	1,221	1,023
		11,746	9,460
Contributory benefits			
Pension benefits		1,411	1,260
Incapacity benefits		1,042	1,693
ESA Contributory		515	386
Other	4.2b	144	116
		3,112	3,455
Total		14,858	12,915

The impairment of debts written off consist of the write-off of the following Social Fund Loans:

Social Fund Loans	Note	2013-14 £'000	2012-13 £'000
Funeral grants		4,479	3,591
Other	4.2c	343	287
Total		4,822	3,878

4.2a

Other non-contributory benefits include Industrial Injuries, Industrial Death Benefit, Jobseeker's Allowance (JSA) (Non contributory), and Crisis Loans. The 2013-14 amount for Non-Contributory benefits - other £1.221m includes an amount of £0.162m for Crisis Loans written off. The comparative amount for 2012-13: £0.093m is included within the impairment of debts written off Social Fund Loans - Other.

4.2b

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

4.2c

For 2013-14 Social Fund Loans - Other amount includes Budgeting Loans only. The comparative figure for 2012-13: £0.287m includes write off amounts for both Budgeting Loans £0.194m and Crisis Loans £0.093m. See Note 4.2a above.

(See also Note 21, Losses and Special Payments).

5. Benefit expenditure paid from the Consolidated Fund

	2013-14			2012-13		
	Programme expenditure £'000	Programme income £'000	Net expenditure £'000	Programme expenditure £'000	Programme Income £'000	Net expenditure £'000
Non-contributory and means-tested benefits						
Pension benefits	5,092	-	5,092	4,472	-	4,472
Disability benefits	1,274,311	(2,229)	1,272,082	1,226,225	(1,782)	1,224,443
Industrial injuries benefits	30,402	(654)	29,748	30,336	(842)	29,494
Income support for the elderly	1,926	-	1,926	3,096	-	3,096
Pension credit	325,463	-	325,463	333,889	-	333,889
Family benefits	(2)	-	(2)	-	-	-
Income support - non-pensioners and Jobseeker's Allowance						
Income support - non-pensioners	223,083	(1,011)	222,072	322,515	(1,189)	321,326
Jobseeker's Allowance (income based)	192,698	(39)	192,659	195,907	(31)	195,876
Employment and Support Allowance (non contributory)	294,283	(780)	293,503	169,335	(484)	168,851
Job grant	1,896	-	1,896	1,630	-	1,630
Community Care Grants 5c	13,747	-	13,747	-	-	-
Other Fair Value adjustments and impairment of debt written off 5d	(308)	-	(308)	-	-	-
5a/5b	2,362,591	(4,713)	2,357,878	2,287,405	(4,328)	2,283,077

5a

The figure for programme expenditure includes Fair Value adjustments, Impairment of programme debt written off, and Movement on Compensation Recovery Unit (CRU) provision (See Note 4.1).

5b

Programme income includes Child Maintenance Services (CMS) Income, and Compensation Recovery Unit (CRU) Income which comprises of benefits paid and which are due to be recovered from insurance companies. (SeeNote 8.2).

5c

In the 2013-14 year the funding arrangements for Community Care Grants and Crisis Loans changed, (See Accounting Policy Note 1.23). The comparative years expenditure for Community Care Grants is contained within Note 7-Benefit expenditure paid from the Social Fund 2012-13: £13.497m. (See Note 7c.).

5d

This figure relates to Crisis Loans Fair Value adjustments and Impairment of debt written off. The amount for the comparative year 2012-13: -£1.670m is included within Note 7 Benefit Expenditure paid from the Social Fund. (See Note 7d).

6. Benefit expenditure paid from the National Insurance Fund

	2013-14			2012-13		
	Programme expenditure £'000	Programme income £'000	Net expenditure £'000	Programme expenditure £'000	Programme Income £'000	Net expenditure £'000
Pension benefits						
Retirement pension						
basic element	1,584,337	-	1,584,337	1,526,736	-	1,526,736
additional component	398,459	-	398,459	379,125	-	379,125
Christmas bonus	3,343	-	3,343	3,392	-	3,392
Widow's benefit						
basic element	13,613	-	13,613	13,927	-	13,927
additional component	1,918	-	1,918	2,127	-	2,127
widow's payment	5,467	-	5,467	5,381	-	5,381
Unemployment, Invalidity and Sickness benefits	13	(3)	10	(41)	(11)	(52)
Unemployment, Incapacity and other benefits						
Jobseeker's Allowance - Contributions Based	18,854	(8)	18,846	23,380	(4)	23,376
Employment and Support Allowance - Contributions Based	235,925	(735)	235,190	129,832	(558)	129,274
Incapacity Benefit						
basic element	73,198	(901)	72,297	195,096	(1,195)	193,901
additional component	1,424	-	1,424	3,630	-	3,630
Family benefits						
Maternity Allowance	11,873	-	11,873	11,396	-	11,396
Periodicity and pay days	-	-	-	3	-	3
6a/6b	2,348,424	(1,647)	2,346,777	2,293,984	(1,768)	2,292,216

6a
The figure for programme expenditure includes Fair Value adjustments, Impairment of programme debt written off, and Movement on Compensation Recovery Unit (CRU) provision. (See Note 4.1).

6b
Programme income includes Child Maintenance Services (CMS) Income, and Compensation Recovery Unit (CRU) Income which comprises of benefits paid and which are due to be recovered from insurance companies. (See Note 8.2).

6c
The Northern Ireland (NI) National Insurance Fund (NIF) White Paper accounts shows the cash receipts and payments for the NI NIF benefits for the relevant financial year.

7. Benefit expenditure paid from the Social Fund

		2013-14			2012-13		
		Programme expenditure £'000	Programme Income £'000	Net expenditure £'000	Programme expenditure £'000	Programme Income £'000	Net expenditure £'000
Funeral payments - fair value adjustments and impairment of debt written off	7b	2,711	-	2,711	2,314	-	2,314
Cold weather payments		-	-	-	-	-	-
Maternity payments		1,673	-	1,673	1,730	-	1,730
Community care payments	7c	-	-	-	13,497	-	13,497
Winter fuel payments		54,045	-	54,045	54,007	-	54,007
Other - fair value adjustments and impairment of debt written off	7d	236	-	236	(2,771)	-	(2,771)
	7a	58,665	-	58,665	68,777	-	68,777

7a
The figure for programme expenditure includes Fair Value adjustments and Impairment of programme debt written off. (See Note 4.1).

7b
The loan balances outstanding as at 31 March 2014 for Budget Loans, Crisis Loans and Funeral Loans are disclosed in Note 13. The NI Social Fund White Paper accounts shows the cash receipts and payments for Social Fund expenditure in the relevant financial year.

7c
In the 2013-14 year the funding arrangements for Community Care Grants and Crisis Loans changed, (See Accounting Policy Note 1.23). The 2013-14 expenditure for Community Care Grants £13.747m is contained within Note 5-Benefit expenditure paid from the Consolidated Fund. (See Note 5c).

7d
This figure relates to Budgeting Loans Fair Value adjustments and Impairment of debt written off. The amount for the comparative year 2012-13: -£2.771m includes amounts for Budgeting Loans -£1.101m and Crisis Loans -£1.670m. (See Note 5d).

8. Income

8.1 Resource income

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

	2013-14 £'000	2012-13 £'000
Administration of the National Insurance Fund	19,895	18,766
Services to the Department for Work and Pensions	18,126	18,839
Mortgage Interest Direct Scheme	41	62
Other resource income	648	866
	38,710	38,533

8.2 Programme Income

An analysis of programme income for the Consolidated Fund, £4.713m (2012-13: £4.328m), is shown in Note 5.

An analysis of programme income for the National Insurance Fund, £1.647m (2012-13: £1.768m), is shown in Note 6.

	Note	2013-14 £'000	2012-13 £'000
CMS Income	8.2i	646	757
CRU Income	8.2ii	5,714	5,339
		6,360	6,096

8.2i

Child Maintenance Services (CMS) income is the reimbursement of costs incurred by the Agency and recovered by CMS from the non resident parent.

8.2ii

Compensation Recovery Unit (CRU) income is the recoverable amount from the insurance companies in respect of benefits paid. The amounts are recovered by CRU within the Agency.

9. Property, plant and equipment

	Note	Year Ending 31 March 2014				
		Land £'000	Buildings £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation						
At 1 April 2013		3,457	7,969	739	37	12,202
Adjustment	9a	-	(1)	-	-	(1)
Additions		-	53	24	2	79
Disposals		-	(2)	(83)	(2)	(87)
Impairment	9b	10	2,362	-	-	2,372
Reclassifications		-	-	-	-	-
Revaluations		648	539	(2)	-	1,185
Transfers		-	-	-	-	-
At 31 March 2014		**4,115**	**10,920**	**678**	**37**	**15,750**
Depreciation						
At 1 April 2013		-	1,389	338	30	1,757
Adjustment		-	-	-	-	-
Charged in year		-	374	140	2	516
Disposals		-	-	(76)	(2)	(78)
Impairment	9b	-	(820)	-	-	(820)
Reclassifications		-	-	-	-	-
Revaluations		-	(246)	(27)	(6)	(279)
Transfers		-	-	-	-	-
At 31 March 2014		**-**	**697**	**375**	**24**	**1,096**
Carrying value at 31 March 2013		**3,457**	**6,580**	**401**	**7**	**10,445**
Carrying value at 31 March 2014		**4,115**	**10,223**	**303**	**13**	**14,654**
Asset Financing:						
Owned		4,115	10,223	303	13	14,654
Finance Leased		-	-	-	-	-
On Balance Sheet (SoFP) PFI contracts		-	-	-	-	-
Carrying value at 31 March 2014		4,115	10,223	303	13	14,654

9a
The adjustment to the opening balance relates to the correction of rounding errors from previous years.

9b
These amounts represent the reversal of impairment losses recognised in the Statement of Comprehensive Net Expenditure in prior years. These reversals arose as a result of the professional valuation of Agency Land and Buildings which was completed in 2013-14 year.

	Note	Year Ending 31 March 2013				
		Land £'000	Buildings £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation						
At 1 April 2012		3,841	8,232	1,193	32	13,298
Adjustment	9a	-	2	-	-	2
Additions		-	600	2	-	602
Disposals		-	(74)	(530)	(1)	(605)
Impairment		(3)	(786)	56	-	(733)
Reclassifications		-	-	-	-	-
Revaluations		(381)	(5)	17	-	(369)
Transfers	9c	-	-	1	6	7
At 31 March 2013		**3,457**	**7,969**	**739**	**37**	**12,202**
Depreciation						
At 1 April 2012		-	1,203	700	27	1,930
Adjustment		-	-	-	-	-
Charged in year		-	365	131	2	498
Disposals		-	(74)	(528)	-	(602)
Impairment		-	(102)	27	-	(75)
Reclassifications		-	-	-	-	-
Revaluations		-	(3)	7	-	4
Transfers	9c	-	-	1	1	2
At 31 March 2013		**-**	**1,389**	**338**	30	1,757
Carrying value at 31 March 2012		**3,841**	**7,029**	**493**	**5**	**11,368**
Carrying value at 31 March 2013		**3,457**	**6,580**	**401**	**7**	**10,445**
Asset Financing:						
Owned		3,457	6,580	401	7	10,445
Finance Leased		-	-	-	-	-
On Balance Sheet (SoFP) PFI contracts		-	-	-	-	-
Carrying value at 31 March 2013		**3,457**	**6,580**	**401**	**7**	**10,445**

9a

The adjustment to the opening balance relates to the correction of rounding errors from previous years.

9c

The transfers represent inter-departmental movements.

10. Intangible Assets

Intangible assets comprise of software licences and developed software:

Year Ending 31 March 2014					
	Note	Software Licences £'000	Development Expenditure £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2013		461	846	54	1,361
Adjustment		-	-	-	-
Additions		-	46	35	81
Disposals		(66)	(38)	-	(104)
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations		10	22	-	32
At 31 March 2014		**405**	**876**	**89**	**1,370**
Amortisation					
At 1 April 2013		359	400	-	759
Adjustment	10a	-	(1)	-	(1)
Charged in year		25	126	-	151
Disposals		(66)	(38)	-	(104)
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations		(66)	(26)	-	(92)
At 31 March 2014		**252**	**461**	**-**	**713**
Carrying amount at 31 March 2014		**153**	**415**	**89**	**657**
Carrying amount at 31 March 2013		102	446	54	602
Asset Financing:					
Owned		153	415	89	657
Finance Leased		-	-	-	-
On Balance Sheet (SoFP) PFI and other service concession arrangements		-	-	-	-
Carrying amount at 31 March 2014		**153**	**415**	**89**	**657**

10a The adjustment to the opening balance relates to the correction of rounding errors from previous years.

Year Ending 31 March 2013					
	Note	Software Licences £'000	Development Expenditure £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2012		455	806	-	1,261
Adjustment	10a	2	(2)	-	-
Additions		-	19	54	73
Disposals		-	-	-	-
Impairments		-	1	-	1
Reclassifications		-	-	-	-
Revaluations		4	22	-	26
At 31 March 2013		**461**	**846**	**54**	**1,361**
Amortisation					
At 1 April 2012		331	264	-	595
Adjustment	10a	2	(1)	-	1
Charged in year		25	128	-	153
Disposals		-	-	-	-
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations		1	9	-	10
At 31 March 2013		**359**	**400**	**-**	**759**
Carrying amount at 31 March 2013		**102**	**446**	**54**	**602**
Carrying amount at 31 March 2012		124	542	-	666
Asset Financing:					
Owned		102	446	54	602
Finance Leased		-	-	-	-
On Balance Sheet (SoFP) PFI and other service concession arrangements		-	-	-	-
Carrying amount at 31 March 2013		**102**	**446**	**54**	**602**

10a The adjustment to the opening balance relates to the correction of rounding errors from previous years.

11. Financial Instruments

As the cash requirements of the Agency 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 in connection with social security benefit eligibility and entitlement which are governed by the appropriate social security legislation and regulatory requirements. The Agency is therefore exposed to little credit, liquidity or market risk. Further details on the Agency's assessment and application of the Financial Instrument IFRS and financial risk is detailed in Note 1.2.

Credit Risk

The Agency 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 the 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 receivable or loan not recovered from benefit customers.

This risk is limited to the extent that the receivable can be recovered 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 Agency has an active recovery process in place, in order to maximise the amounts recovered.

Liquidity Risk

The Agency's resource requirements are financed by resources voted by the Assembly and Parliament. Its 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 Agency has discounted the forecast future cash flows for estimated recoveries and write offs for Benefit Overpayment Receivables and Social Fund Loans. The discount factor for 2013-14 was 2.2% (2012-13: 3.5%). The change in rate for 2013-14 is in accordance with the accounting requirements per IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The Treasury's discount rate is substantially independent of changes in market interest rates.

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

(i) Cash and cash equivalents

- Programme and Resource Financing
- Cash with Paying Agents
- Encashment Control
- 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 term maturity of this instrument.

(ii) Loans and Receivables

- Benefit Overpayment Receivables
- Social Fund 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 subsequently carried at amortised cost using the effective interest method, with changes in value between the 1 April 2013 - 31 March 2014 recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

The amounts included in the year from 1 April 2013 to 31 March 2014 are:

Statement of Financial Position	Gross Receivables £'000	Impairment & Discounting Debt £'000	Net Receivable £'000
Receivables (amounts falling due less than one year): Note 13.1			
Contributory Benefits	917	(270)	647
Non-contributory Benefits	8,629	(1,982)	6,647
Funeral Loans	134	(4,434)	(4,300)
Other Loans	52,344	(500)	51,844
CRU Debt	718	(194)	524
Receivables (amounts falling due more than one year): Note 13.2			
Contributory Benefits	12,566	(9,441)	3,125
Non-contributory Benefits	89,697	(48,715)	40,982
Funeral Loans	5,489	(1,045)	4,444
Other Loans	43,714	(3,266)	40,448
	214,208	(69,847)	144,361

(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 Agency has reviewed all contracts including Service Level Agreements and Letters of Offer with Third Parties for any embedded derivatives. The review concluded that no embedded derivatives existed.

12. Impairments

	2013-14 £'000	2012-13 £'000
Amount charged to Statement of Comprehensive Net Expenditure	(3,193)	657
Amount taken to the Revaluation Reserve	1,589	(357)
Total Impairment charge for the year	(1,604)	300

13. Trade receivables and other current assets

13.1 Amounts falling due within one year 31 March

Resource	Note	March 2014 £'000	March 2013 £'000
Amounts due from the Department - Resource Financing	13a	2,999	2,289
Prepayments		1,936	2,232
VAT		975	12,669
Other Resource Receivables	13b	5,446	6,715
	13.3	11,356	23,905

		31 March 2014			31 March 2013		
Programme	Note	Gross receivables £'000	Impairment & Discounting £000	Net receivables £000	Gross receivables £'000	Impairment & Discounting £000	Net receivables £000
Benefit overpayments							
- Contributory benefits	13f	917	(270)	647	868	(382)	486
- Non-contributory benefits	13f	8,629	(1,982)	6,647	9,227	(1,740)	7,487
- Social Fund		98	-	98	137	-	137
Benefit prepayments							
- Contributory benefits		18,053	-	18,053	21,648	-	21,648
- Non-contributory benefits		12,291	-	12,291	15,354	-	15,354
Social Fund loans							
- Funeral loans	13g	134	(4,434)	(4,300)	194	(3,588)	(3,394)
- Other loans	13c	52,344	(500)	51,844	51,262	(286)	50,976
Amounts due from the Department - NIF receivable	13d	5,942	-	5,942	16,110	-	16,110
Other programme receivables	13e	1,876	(194)	1,682	2,252	(183)	2,069
Amounts due from the Department -Programme Financing	13a	367	-	367	808	-	808
	13.3	100,651	(7,380)	93,271	117,860	(6,179)	111,681
Total amounts falling due within one year		112,007	(7,380)	104,627	141,765	(6,179)	135,586

13a

The Agency's attributable proportion of the Departmental bank balance for both resource and programme expenditure is shown as 'Amounts due from the Department'. For the Year ended 31 March 2014 the Agency's resource bank balance of £2.999m is composed of an amount held within the DSD Group account of £2.989m (2012-13 £2.279m) and £0.010m (2012-13:£0.010m)of petty cash, held throughout Agency offices.

The Agency programme bank balance is disclosed under 'Amounts due from the Department' - Programme financing, and is £0.367m, (2012-13: £0.808m) (see note (i)).

Note (i)

The Agency programme bank balance includes an amount of £0.107m (2012-13: £0.833m) that is due to be paid to the Health Service Trusts (see note 15d).

Programme and Resource Financing are classified as Financial Instruments (FI) under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for the Resource and Programme amounts are the current value stated in the Statement of Financial Position owing to the short term maturity of these FI.

13b

Other resource receivables include Belfast Benefit Centre £2.998m (2012-13: £4.782m), Inter DSD account £2.190m (2012-13 £1.384m) and the balance of £0.359m (2012-13: £0.549m) is made up of other sundry receivables.

13c

Other Social Fund loans consist of: Budgeting Loans £39.056m gross (2012-13: £37.971m gross), and Crisis Loans £13.288m gross (2012-13: £13.291m gross). Social Fund Loans are classified as Financial Instruments 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. Note 1.23 advises of changes to the budgeting arrangements for certain elements of Social Fund discretionary benefits i.e. Crisis Loans and Community Care Grants. (See also Note 4 - Programme Costs, Note 5 Benefit expenditure paid from the Consolidated fund and Note 7 Benefit expenditure paid from the Social Fund).

The discount factor for 2013-14 was 2.2%, (2012-13 3.5%) The change to previous rate was in accordance with the accounting requirements per IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

13d

Part of the Agency's attributable proportion of the centrally held bank balances at 31 March 2014 represent amounts due to the Department/Agency in respect of NIF benefits. This balance represents amounts due from Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits. The balance at the Year ended 31 March 2014 is £5.942m, (2012-13: £16.110m)

13e

Other programme receivables consist of: Overseas Governments £0.218m (2012-13: £0.186m), Compensation Recovery Unit (see Note (i) below) £0.718m (2012-13: £0.751m), others £0.115m, (2012-13: £0.214m), unadjudicated benefit receivables (see Note (ii) below) £0.352m (2012-13: £0.517m), DWP (see note (iii) below) £0.473m (2012-13: £0.584m), Impairment (-£0.194m), (2012-13: -£0.183m).

Note (i)

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.

Certificates of recoverable benefit are issued upon request to compensators (primarily insurance companies) where a compensation claim is made as a result of an accident or injury. Until there is acceptance of liability by the compensator and a payment made for compensation, the Agency has no right to demand recovery of benefit payments made as a consequence of this accident or injury. Therefore, no acknowledgement is made in the Agency's 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 Agency for the Year ended 31 March 2014, £5.714m (2012-13: £5.339m), has been included in the Statement of Comprehensive Net Expenditure (SOCNE) as a reduction to gross expenditure. There is no information to suggest that this level of cash generated will differ significantly in the next financial year.

NHS Trusts - Potential Debt

An exercise is completed each year by the Agency's Compensation Recovery Unit (CRU) to estimate the potential value of those claims awaiting settlement from the insurance compensators and due to the Health Service Trusts (HST). The CRU collects the monies due from the insurance compensators 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. The value for the potential balance due at 31 March 2014 is estimated to be £29.017m (2012-13: £27.548m). These figures are disclosed gross which are not subject to any fair value calculations, which would reduce the value of this estimate.

CRU - Benefit Recoveries - Potential Debt

The CRU exercise also identifies potential recoveries from the insurance compensators on behalf of the Agency for the payment of social security benefits. The value for the potential balance due at 31 March 2014 is estimated to be £30.261m (2012-13: £28.716m). These figures are disclosed gross and are not subject to any fair value calculations, which would reduce the value of this estimate. Cases may be appealed and there exists a timeframe cap of five years from the date of the accident, after which the Agency cannot recover further benefit.

The total payments made from the Agency to the HST in respect of claims recovered by the Compensation Recovery Unit (CRU) from insurance companies for the Year ended 31 March 2014 were £11.096m (2012-13: £11.492m).

As at 31 March 2014, the Agency has collected £0.107m and is due to pay over this money to HST. It represents compensators settlements not yet paid over (2012:13 £0.747m).

Note (ii)

The Agency undertakes an exercise to value the potential benefit overpayment receivable not yet notified to DCNI and held at local and central benefit offices. This exercise was completed for the financial year ended 31 March 2014.The valuation of the unadjudicated receivable is based on a stock count of benefit cases at 31 March 2014, an analysis based on historical trends of the percentage of overpayment receivable determined to be recoverable, and an estimation of the average value of an overpayment receivable case again based on historical analysis.

The value for the potential receivable balance at 31 March 2014 is estimated to be £3.913m (2012-13: £6.467m) and is disclosed as £0.352m (2012-13: £0.517m) within other programme receivables less than one year, and £3.561m (2012-13: £5.950m) within other programme receivables falling due after more than one year (see Note 13i).

Note (iii)
For this financial year the equivalent amount of the receivables transferred between NI and DWP (GB) have been recorded as DWP receivables and payables balances. Accordingly, within the total balance for other programme receivables of £1.876m there is an amount of £0.049m which represents the balance owing from DWP to the Agency for benefit overpayment receivables that have transferred from NI to GB.

13f
Benefit Overpayment Receivables are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Benefit Overpayment receivables 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 discount factor for 2013-14 was 2.2%.(2012-13 3.5%) The change in rate for 2013-14 is in accordance with the accounting requirements per IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Included within Benefit Overpayment Receivables is an amount of £11.928m which private sector collection agencies are seeking to recover on behalf of the Agency, (2012-13: £6.560m).

13g
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. Funeral Loans are recoverable only from the estate of the deceased, but in the majority of cases the estate is insufficient for the Funeral Loan to be recovered.

The impairment amount for the Funeral Loans less than one year is greater than the receivable amount. This reflects the high level of uncertainty surrounding the recovery of Funeral Loans.

Funeral Loans due after more than one year are shown in the table below at Note 13.2. The total net receivable for all Funeral Loans after impairment and discounting is £0.144m (2012-13:£0.375m).

13.2 Amounts falling due after more than one year

Resource	31 March 2014 £'000	31 March 2013 £'000
Prepayments	-	-
Other receivables	-	-
	-	-

Programme	Note	31 March 2014			31 March 2013		
		Gross receivables £'000	Impairment & Discounting £000	Net receivables £000	Gross receivables £'000	Impairment & Discounting £000	Net receivables £000
Benefit overpayments							
- Contributory benefits	13f	12,566	(9,441)	3,125	11,692	(9,012)	2,680
- Non-contributory benefits	13f	89,697	(48,715)	40,982	87,288	(48,027)	39,261
- Social Fund		-	-	-	-	-	-
Benefit prepayments							
- Contributory benefits		-	-	-	-	-	-
- Non-contributory benefits		-	-	-	-	-	-
Social Fund loans							
- Funeral Loans	13g	5,489	(1,045)	4,444	7,425	(3,656)	3,769
- Other loans	13h	43,714	(3,266)	40,448	44,099	(4,058)	40,041
Other programme receivables	13i	3,561	-	3,561	5,950	-	5,950
Total amounts falling due after more than one year		155,027	(62,467)	92,560	156,454	(64,753)	91,701
Total trade receivables and other current assets				197,187			227,287

SOCIAL SECURITY AGENCY

13h

Other Social Fund loans consist of Budgeting Loans £27.307m gross (2012-13: £27.359m gross), and Crisis Loans £16.407m gross (2012-13: £16.740m gross).

Social Fund Loans are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. The 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.

Note 1.23 advises of changes to the budgeting arrangements for certain elements for Social Fund discretionary benefits i.e. Crisis Loans and Community Care Grants. (See also Note 4 - Programme Costs, Note 5 Benefit expenditure paid from the Consolidated Fund and Note 7 Benefit expenditure paid from the Social Fund).

The discount factor for 2013-14 was 2.2%. (2012:13 3.5%) The change in rate for 2013-14 is in accordance with the accounting requirements per IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

13i

Other programme receivables consists of £3.561m (2012-13: £5.950m), relating to the valuation of the potential benefit receivable balance at 31 March 2014. (See Note 13 e (ii)).

13.3 Intra-Government Balances Resource

	Note	Amounts falling due within one year (Net)		Amounts falling due in more than one year (Net)	
		31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Balances with other central government bodies	(i)	9,280	21,506	-	-
Balances with local authorities	(ii)	3	2	-	-
Balances with NHS bodies		-	-	-	-
Balances with public corporations and trading funds		1	10	-	-
Subtotal: intra-government balances		9,284	21,518	-	-
Balances with bodies external to government		2,072	2,387	-	-
Total receivables at 31 March		11,356	23,905	-	-

Intra-Government Balances Programme

	Note	Amounts falling due within one year (Net)		Amounts falling due after one year (Net)	
		31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Balances with other central government bodies	(i)	6,791	17,569	-	-
Balances with local authorities		-	-	-	-
Balances with NHS bodies		-	-	-	-
Balances with public corporations and trading funds		-	-	-	-
Subtotal: intra-government balances		6,791	17,569	-	-
Balances with bodies external to government		86,480	94,112	92,560	91,701
Total receivables at 31 March		93,271	111,681	92,560	91,701

(i)
Resource receivable balances with other central government bodies includes the 'Department - Resource Financing' bank balance £2.999m (2012-13: £2.289m), Belfast Benefit Centre £2.897m (2012-13: £4.782m), HMRC £0.975m (2012-13: £12.669m), Inter DSD £2.190m (2012-13: £1.384m), accrued receipts from DWP £0.022m (2012-13: £0.172m), DFP £0.017m (2012-13: £nil), DOJ £0.002m (2012-13: £0.209m), NIO £0.151m (2012-13 £nil), DEL £0.012m (2012-13: £nil), DETI £0.002m (2012-13 £nil) and DRD £0.013m (2012-13 £nil).

Programme receivable balances with other central government bodies include NIF receivable £5.942m (2012-13: £16.110m), the 'Department - programme financing' bank balance £0.367m (2012-13: £0.808m) DWP receivable £0.473m (2012-13: £0.584m), Others £0.009m (2012-13:£0.067m).

(ii)
Resource receivable balances with local authorities for the year ended 31 March 2014 are £0.003m (2012-13: £0.002m).

14. Cash and cash equivalents

14.1 Cash with paying agents

	Note	31 March 2014 £'000	31 March 2013 £'000
Santander Commercial Bank PLC	14a	-	2,871
		-	2,871

14a

As at 31 March 2014 the balance held with the Santander Commercial Bank plc is £Nil (2012-13: £2.871m).

In accordance with the Method of Payment Reform (MOPR) initiatives, the last cheque for payment of benefit was issued by the Agency in July 2013. All benefit cheque payments have therefore been accounted for in 2013-14 financial year and this is reflected in the year end encashment control balance.

(See Note 15.1).

Cash with paying agents is classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for cash with paying agents approximates to the current value stated in the Statement of Financial Position owing to the short term maturity of this instrument.

14.2 Cash and cash equivalents

	31 March 2014 £'000	31 March 2013 £'000
Balance at 1 April	-	-
Net change in cash and cash equivalent balances	-	-
Balance at 31 March	-	-

The following balances at 31 March are held at:

	31 March 2014 £'000	31 March 2013 £'000
Commercial bank balances	-	-
Cash at bank and in hand	-	-
Balance at 31 March	-	-

15. Trade payables and other current liabilities

15.1 Amounts falling due within one year:

Resource	Note	31 March 2014 £'000	31 March 2013 £'000
Accruals	15a	10,820	9,521
Other payables	15b	4,757	3,559
Amounts due to the Department - Resource Financing		-	-
		15,577	13,080

Programme	Note	31 March 2014 £'000	31 March 2013 £'000
Benefit accruals			
- Contributory benefits		32,264	28,596
- Non-contributory benefits		37,101	31,473
- Social Fund		34	309
Encashment control	15e	-	284
Other programme payables	15c	4,882	5,059
Cash in Transit	15d	31,769	15,546
Amounts due from the department - financing prog	15d	-	-
		106,050	81,267
Total amounts falling due within one year		121,627	94,347

15a
Included within Resource Accruals is £2.625m (2012-13: £2.579m), for Employee Benefits.

15b
Other resource payables include Consolidated Fund Extra Receipts, £0.014m (2012-13: £0.009m), amounts due to DWP £1.676m (2012-13 £0.446m), DFP £0.178m (2012-13 £0.005m), NHS Health Trusts £1.008m (2012-13: £0.009m) and other sundry payables £1.881m (2012-13 £3.088m).

15c
Other programme payables consist of HMRC £0.520m (2012-13: £0.174m), DWP £0.313m (2012-13: £0.823m), DEL £0.265m (2012-13 £0.075m), Health Service Trusts £0.107m

(2012-13: £0.833m), Overseas Governments £0.007m, (2012-13: £0.007m), Third Party £1.069m (2012-13: £1.097m), Sundry £0.327m (2012-13: £0.461m), Consolidated Fund Extra Receipts £0.004m (2012-13: £0.004m) CMS £0.043m (2012-13 £0.042m), Inter DSD £2.227m (2012-13: £1.543m).

There are certain balances within other programme payables that are contractual and are therefore classified as Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for contractual other programme payables amounts to the current value stated in the Statement of Financial Position owing to the short term maturity of these instruments.

15d

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 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 difference in the recording of the expenditure, and the movement of the funds to make the payments creates a payables (or creditor) 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 at the end of the 31 March 2014 financial year was £31.769m and is included above, (2012-13 £15.546m).

15e

The Encashment Control represents the balance of cheques outstanding at the year end. In accordance with the Method of Payment Reform (MOPR), initiatives, the last cheque for payment of benefit was issued by the Agency in July 2013. All benefit cheque payments are therefore accounted for in 2013-14 financial year and therefore resulted in a year end position of £Nil.

15.2 Intra-Government Balances Resource

	Note	Amounts falling due within one year	
		31 March 2014 £'000	31 March 2013 £'000
Balances with other central government bodies	(i)	6,717	4,921
Balances with local authorities		4	1
Balances with NHS bodies		1,009	-
Balances with public corporations and trading funds	(ii)	80	36
Subtotal: intra-government balances		7,810	4,958
Balances with bodies external to government		7,767	8,122
Total payables at 31 March		15,577	13,080

15.2 Intra-Government Balances Resource

	Note	Amounts falling due within one year		Amounts falling due after one year	
		31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Balances with other central government bodies	(i)	3,381	2,776	-	-
Balances with local authorities		-	-	-	-
Balances with NHS bodies		107	833	-	-
Balances with public corporations and trading funds		-	-	-	-
Subtotal: intra-government balances		3,488	3,609	-	-
Balances with bodies external to government		102,562	77,658	-	-
Total receivables at 31 March		106,050	81,267	-	-

(i)
Resource payable balances with other central government bodies includes DWP payables £6.000m, (2012-13: £4.486m), Consolidated Fund Extra Receipts £0.014m (2012-13: £0.009m), Public Prosecution Service £nil (2012-13: £0.165m), DOJ £0.075m (2012-13: £0.001); DFP £0.136m (2012-13: £0.187m), NISRA £0.051m (2012-13: £0.064m), NIO £nil (2012-13: £0.009m).
DRD £0.013m (2012-13: £nil) and HMRC £0.428m (2012-13: £nil).

Programme payable balances with other central government bodies includes HMRC £0.520m (2012-13: £0.174m), Inter DSD £2.227m (2012-13: £1.651m), DEL £0.265m (2012-13: £0.075m), DWP Creditor £0.313m (2012-13: £0.823m), Sundry £0.013m (2012-13: £0.011m), CMS £0.043m (2012-13: £0.042m).

(ii)
Resource payable balances with public corporations includes NI Water £0.014m (2012-13: £0.011m), Royal Mail £nil (2012-13:£0.025m), and NI Housing Executive £0.018m (2012-13:nil), PSNI £0.012m, (2012:13 nil)
Directorate of Legal Services £0.036m, (2012-13:nil).

16. Provisions for liabilities and charges

	2013-14				2012-13			
	Early Departure Costs £'000	Other Resource £'000	Pro-gramme £'000	Total £'000	Early Departure Costs £'000	Other Resource £'000	Pro-gramme £'000	Total £'000
Balance as at 1 April	131	408	344	883	49	380	514	943
Provided in year	11	518	-	529	124	227	-	351
Provision not required written back	(16)	(214)	(344)	(574)	(1)	(28)	(170)	(199)
Under provision	29	191	-	220	1	18	-	19
Provision utilised in the year	(71)	(201)	-	(272)	(36)	(198)	-	(234)
Borrowing costs (Unwinding of discount)	(2)	(3)	-	(5)	(6)	9	-	3
Balance as at 31 March	82	699	-	781	131	408	344	883

Analysis of expected timing of discounted flows

	2013-14				2012-13			
	Early Departure Costs £'000	Other Resource £'000	Pro-gramme £'000	Total £'000	Early Departure Costs £'000	Other Resource £'000	Pro-gramme £'000	Total £'000
Not later than one year	45	509	-	554	61	368	344	773
Later than one year and not later than five years	37	190	-	227	70	40	-	110
Later than five years	-	-	-	-	-	-	-	-
Balance as at 31 March	82	699	-	781	131	408	344	883

16.1 Resource provisions include:

(i) Early departure costs £0.082m (2012-13: £0.131m).
(ii) Personal injury cases £0.468m (2012-13: £0.326m). The Agency has provided for a lifetime personal injury award of £215k. The full amount of this provision is shared jointly with the Department for Health, Social Services and Public Safety.
(iii) Equal opportunity cases £0.231m (2012-13: £0.082m).

Other resource provisions are based on estimates provided by the Departmental Solicitors Office (DSO). The DSO provide probabilities for the best case, worst case and the average scenarios, these figures together with the weighted average calculations are then used to inform the adjustments to the provision amounts.

The Agency meets the additional costs of benefits beyond the normal PCSPS NI benefits in respect of employees who retire early by paying the required amounts annually to the pension scheme over the year between early departure and normal retirement date. The Agency 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 in real terms. Following a review of the methodology by HM Treasury, it was decided to have three rates instead of one depending on the timing of the cashflows from the Statement of Financial Position date. PES (2012) 15 & 16 have stipulated the following discount rates to be used in the table below:

	2013-14			2012-13		
	0-5yrs	6-10yrs	+11yrs	0-5yrs	6-10yrs	+11yrs
Personal Injury	-1.90%	-0.65%	2.20%	-1.80%	-1.00%	2.20%
Equal Opportunities	-1.90%	-0.65%	2.20%	-1.80%	-1.00%	2.20%
Early Departure Costs	1.80%	1.80%	1.80%	2.35%	2.35%	2.35%

16.2 Programme provisions include:

During the year to 31 March 2014 an assessment against IAS 37 Provisions, Contingent Liabilities and Contingent Assets was undertaken on Agency benefit related provisions i.e. the Compensation Recovery Provision (CRU). As a result the remaining CRU provision amount, after in year utilisation was written back. Details of compensation recoveries are disclosed within Contingent Liabilities at the financial year end. (See Note 20).

17. Capital Commitments

Belfast Benefit Centre

All of the work carried out by the Belfast Benefit Centre (BBC) relates to processing services provided to the Department for Work and Pensions (DWP) in Great Britain and all expenditure incurred on behalf of the BBC in the financial year is charged to the Agency's Statement of Comprehensive Net Expenditure. The Agency has no capital commitments contracted for but not provided at 31 March 2014 on behalf of the BBC.

Medical Support Services (MSS)/ ATOS Contract

The Agency signed a contract in January 2011 with Atos Origin IT Services UK Ltd. for the provision of medical support services, for a period of seven years until June 2018. Atos Healthcare are responsible for carrying out customer medical examinations required for assessing entitlement to a range of benefits including Employment and 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. The costs are variable and are dependant on the volumetric usage of the contract e.g. the number of medical assessments undertaken.

The ICT infrastructure costs within the ATOS contract include costs for cabling, servers and other IT equipment to facilitate the operation of the new IT computer system. This ICT infrastructure is located within the Medical Examination Centres (MEC's) utilised by the contractor. The capital cost for this work over the remainder of the contract term is estimated to be as follows:

	£m
2014-15	0.02
2015-16	0.24
2016-17	0.31
2017-18	-
2018-19	-

18. Commitments under leases

18.1 Operating leases

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

	Note	2013-14 £'000	2012-13 £'000
Obligations under operating leases comprise:			
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		-	-
Later than one year and not later than five years		-	-
Later than five years		-	-
Total		-	-
Other:			
Not later than one year		80	61
Later than one year and not later than five years		41	56
Later than five years		-	-
Total		121	117
Total obligations under operating leases		121	117

There were no finance leases during 2013-14 (2012-13: Nil).

19. Other Financial Commitments

Standard Service Business Allocation (SSBA)

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

The SSBA contract has several strands with different end dates as outlined below:

Desktop Replacement:	Jan-17
Applications Development:	Feb-16
Applications Maintenance & Support:	Feb-16
ICONS	Feb-16
Hosting:	Feb-15
Service & Integration Management:	Aug-14

The charges for the Standard Services Business Allocation contract for 2013-14 are £15.693m (2012-13: £11.026m) As above the Agency costs for the SSBA contract are charged on a monthly basis depending on the Agency's usage of the relevant IT services.

The anticipated charges for the 2014-15 financial year for the Standard Services Business Allocation (SSBA) arrangements are estimated to be in the region of £15.036m. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Agency throughout the year.

Post Office Card Account

The Department for Social Development (DSD) acting for and on behalf of the Social Security Agency (SSA) 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 Account 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 who 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 under the Post Office Card Account contracts for 2013-14 are £4.918m (2012-13: £5.171m).

As above, the Agency costs for the Post Office card account contract are charged on a monthly basis depending on the volume of Agency payments made to the Post Office card accounts.

The anticipated charges for the 2014-15 financial year for the Post Office Card Account (POCA) arrangements are estimated to be in the region of £4.6m. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Agency throughout the year. The POCA charges will also rise in line with the Retail Price Index percentage for April 2014 (published May 2014). The contract is expected to run to March 2015.

Medical Support Services (MSS) / ATOS Contract

The Agency signed a contract in January 2011 with Atos Origin IT Services UK Ltd for the provision of medical support services, for a period of seven years until June 2018. Atos Healthcare are responsible for carrying out customer medical examinations required for assessing entitlement to a range of benefits including Employment and 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 dependant on the volumetric usage of the contract e.g. the number of medical assessments undertaken.

Estimated charges for the remainder of the contract term are as follows:

	£m
2014-15	9.7
2015-16	10.4
2016-17	10.6
2017-18	10.5
2018-19	2.6

The charges paid are subject to fluctuation and are dependant upon the usage of the contract by the Agency.

Personal Independence Payment (PIP) / Capita Contract

The contract for the Personal Independence Payment (PIP) Assessment Service in Northern Ireland was awarded to Capita Business Services Limited on 20 November 2012. This contract was awarded for a period of 5 years. 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 Social Security Agency. These are required in order to assess entitlement to PIP. Costs (£1.5m) relating to the contract have been accrued in the in the Agency accounts for the 2013-14 financial year. The financial implications for the 2014-15 year will continue to be kept under review.

20. Contingent liabilities disclosed under IAS 37

Compensation Recovery

The Agency 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 Agency'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 £0.511m for successful appeals from insurance companies.

Lump sum compensation payments in respect of pneumoconiosis and certain other dust related diseases

The Agency 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.

Value Added Tax (VAT) Compliance Assessment

Her Majesty's Revenue and Customs (HMRC) is currently completing a review of Value Added Tax (VAT) compliance with the NI Civil Service (NICS) government departments. The first stage of the HMRC review has focused on the VAT treatment of income streams included within the annual accounts. As part of the assessment process the Agency raised several queries with HMRC in relation to the VAT treatment of certain categories of income. Consideration of these queries with the Agency and HMRC is still ongoing at this time and the final outcome is not yet determined.

21. Losses and special payments

The information presented here is on a cash basis.

	2013-14			2012-13		
	Resource £'000	Programme £'000	Total £'000	Resource £'000	Programme £'000	Total £'000
Losses						
Total 1 Cases, (2012:13 - 3 cases)	73	-	73	1	-	1
Special payments						
Total 14,891 cases, (2012-13: 12,468 cases) Comprising:	-	2,239	2,239	-	1,961	1,961
Ex-Gratia Payments 548 cases, (2012-13: 382 cases)	-	255	255	-	287	287
Extra-Statutory Payments 14,343 cases, (2012-13: 12,086 cases)	-	1,984	1,984	-	1,674	1,674
Social Security - Administered by the Social Security Agency						
(i) Losses - Impairment of Receivables Written Off (approx 47,382 cases) (per Note 4.2) (2012-13: 43,340 cases)	-	14,858	14,858	-	12,878	12,878
Overpayments of Income Support and JSA Child Premium arising from Child Tax Credit (note 4.2) (2012-13: 71 cases)	-	-	-	-	37	37
(i) Losses - Social Fund Loans Written Off Total approx 5,493 cases, (Per note 4.2) (2012-13: 4,507 cases)	-	4,822	4,822	-	3,878	3,878
Losses in relation to Post Office Card Accounts Total approx 22 cases (2012-13 :73 cases)	-	5	5	-	18	18

(i) The 2013-14 amount for Impairments of Receivables written off £14.858m, includes an amount of £0.162m (527 cases) for Crisis Loans written off.

The comparative amount for 2012-13: £0.093m (389 cases) is included within Social Fund Loans written off - Other.

22. Related party transactions

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

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

During the year, no board member, key manager or other related parties has undertaken any material transactions with the Agency during the year.

23. Key Corporate Financial Targets

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

Budget target table

Budget Type	Year 2013-14		
	Business Plan Target £'000	Revised Target £'000	Outturn £'000
Resource and other current	230,170	203,731	200,506
Capital	2,000	371	160
Non Cash	3,451	1,169	(2,526)
Benefits paid from the Northern Ireland Consolidated Fund	2,396,346	2,405,268	2,357,742
Benefits paid from the Northern Ireland National Insurance Fund	2,299,191	2,364,154	2,346,777
Benefits paid from the Social Fund	63,407	67,237	62,573

Resource:

'Business Plan Target' amounts represent initial allocation figures and do not take account of amounts to transfer during the in-year Monitoring Round process. The 'Revised Target' reflects the year end Agency budget.

Programme:

'Business Plan Target' amounts represent initial allocation figures in the Northern Ireland estimates or opening budget position.

'The Revised Target' amounts represent the revised allocation in the Spring Supplementary Estimates or January Monitoring Round position.

These target figures include the funding allocation for Community Care Grants and Crisis Loans,
(See Accounting Policy Note 1.23).

The 'Outturn' figures for Benefits paid from the Northern Ireland (NI) Consolidated Fund now include the amount for Crisis Loans issued in the year less the amount of total in year recoveries. (For financial accounting purposes these transactions are represented within the Agency's Statement of Financial Position).

The 'Outturn' figure for benefits paid from the Northern Ireland (NI) National Insurance fund represent the actual expenditure in year.

The 'Outturn' figure for Benefits paid from Social Fund represents the actual expenditure for the financial year adjusted for the amount of Budget Loans and Funeral Payments issued in the year, less the amount of total in year loan recoveries. (For financial accounting purposes these transactions are represented within the Agency's Statement of Financial Position). These adjustments are completed to align the Social Fund out-turn amount to the Business Plan Target, thereby ensuring the presentation of these figures within Note 23 on a consistent basis.

24. Fees and charges information

Financial objective: Full or partial cost recovery
Name of service: Mortgage Interest Direct (resource charges)

	2013-14 £000	2012-13 £000
Full cost	(157)	(158)
Income	41	62
Surplus/(Deficit)	(116)	(96)

Income stated above is from pre-set transaction charges for the administration of the Mortgage Interest Direct Scheme (MIDS) in the year to 31 March 2014.

The primary legislation in relation to this scheme allows for the expenses incurred in administering the MIDS payments to be defrayed, in whole or in part, against the income recovered from the mortgage lenders. The methodology for calculating the full cost for MIDS (resource cost charges) was updated during 2004-05.

A benchmarking exercise was undertaken to establish a cost for the volume of transaction processing undertaken

in providing this service. This cost methodology has been used to calculate the full cost reported for the year.

25. Events after the Reporting Period

There were no post statement of financial position events which could have had a material effect on the state of affairs of the Agency as at 31 March 2014 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

The Accounting Officer authorised the issue of these financial statements on 27 June 2014.

26. Payment Accuracy

The Agency aims to pay the right money to the right person at the right time. Social Security legislation lays out the basis on which the Agency calculates and pays benefits. However, the complexity of the benefit systems and inherent risks associated with the award and payment of benefits can result in inaccurate payments being made in a proportion of the awards made. The Agency has robust security strategies 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 Agency's counter fraud and error activities is set out in Part B - Strategies to reduce fraud and error.

The Agency currently administers 33 benefits. Processing volumes related to this are approximately 28 million benefit payments per year, with 575,000 new claims and more than 784,000 changes of circumstances notified by customers. Any benefit system that pays out money in response to given circumstances will always be vulnerable to fraud, and a system that relies on human input will be more susceptible to both customer and official error. Despite these challenges the majority of the Agency's benefit expenditure is paid correctly.

During the 2013 calendar year the Agency 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.

For clarity additional tables have also been included within the 2013 Payment Accuracy note to show the totals of estimated overpayments and underpayments for the previous calendar year 2012.

Note: 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.

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

Confidence Intervals

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

Official Error: The official error estimates for 2013 are based on the results of the Agency's Financial Accuracy Exercises completed in 2013 with the exception of Incapacity Benefit and Widows Benefit. Incapacity Benefit is based on the results completed in 2011 updated. There was no Financial Accuracy exercise completed for Incapacity Benefit in 2013 as there are no longer any fresh claims and existing customers are currently migrating to Employment and Support Allowance. Widows Benefit is based on the results completed in 2012 updated. There was no financial accuracy exercise completed in Widows Benefit in 2013.

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 2013. Customer error and customer fraud estimates for Income Support are based on the results of the Benefit Reviews completed in 2012 updated. Customer error and customer fraud estimates for Carer's Allowance are based on the results of the Benefit Reviews completed in 2010 updated. Customer error and customer fraud estimates for Incapacity Benefit and State Pension are based on the results of the Benefit Reviews in 2009 updated. Customer error and customer fraud estimates for Disability Living Allowance are based on the results of the Benefit Review in 2008 updated.

Benefit Expenditure: In summary the expenditure stated for 2013 includes expenditure on 11 benefits, a total of £4,666 million, plus an amount of £145.8 million on other benefit expenditure in year, total annual expenditure £4,812 million.

Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2013 includes, Industrial Injuries Benefit £29.7 million, Severe Disablement Allowance £40.2 million, Christmas Bonus £4.9 million, Maternity Allowance £11.7 million, Winter Fuel Payments £54 million, Job grant £1.9 million, and sundry expenditure of £3.5 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 Agency. The respective annual amounts for these training allowances are not included within the Agency's programme operating costs in the accounts but are instead netted off from the respective debtor or creditor balance held with the Department for Employment and Learning (DEL) at the financial year-end.

Instrument of Payment (IOP) Fraud: The IOP figures in 2012 relate to duplicate encashment of cheques and are based on cases closed on Fraud Referral and Intervention Management System (FRAIMS). Due to the Method of Payment Reform (MOPR) initiatives the last cheque for payment of benefit was issued by the Agency in July 2013.

A: Overpayments

Benefit Overpayments

The table below shows the estimates of benefit overpayments for the last two years, 2013 and 2012.

Comparisons between the two years show that the Agency's 2011 lowest ever reported performance have been maintained for 2012 and now 2013; total losses from fraud and error in percentage terms are 0.9% for both years.

Estimates of benefit overpayments for 2013 and 2012

2013	Expenditure £	Monetary Value of Error £	[1]Lower Confidence Interval £	[1]Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval
Official Error	4,811,799,114	21,123,806	16,831,446	26,377,665	0.40%	0.30%	0.50%
Customer Error	4,811,799,114	8,376,844	5,257,311	12,432,454	0.20%	0.10%	0.30%
Customer Fraud	4,811,799,114	16,071,918	10,503,133	22,911,944	0.30%	0.20%	0.50%
Total Overpayments	**4,811,799,114**	**45,572,568**	**37,880,546**	**55,103,411**	**0.90%**	**0.80%**	**1.10%**

2012	Expenditure £	Monetary Value of Error £	[1]Lower Confidence Interval £	[1]Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval
Official Error	4,681,240,922	12,707,518	9,847,556	16,292,654	0.3%	0.2%	0.3%
Customer Error	4,681,240,922	13,050,889	8,364,240	18,784,895	0.3%	0.2%	0.4%
Customer Fraud	4,681,240,922	16,914,024	9,084,130	26,948,236	0.4%	0.2%	0.6%
Total Overpayments 2012	**4,681,240,922**	**42,672,432**	**33,109,414**	**54,772,739**	**0.9%**	**0.7%**	**1.2%**

1 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 Monetary Value of Error

The Agency estimates that there was approximately £45.6 million overpaid through fraud and error in social security benefits for 2013. This represents approximately 0.9% of the total benefit expenditure for 2013, of which £16.1 million (0.3%) is Customer Fraud, £8.4 million (0.2%) is Customer Error and £21.1 million (0.4%) is Official Error.

The comparative estimate for 2012 is that there was approximately £42.7 million overpaid through fraud and error in social security benefits. This represents approximately 0.9% of the total benefit expenditure for 2012, of which £16.9 million (0.4%) is Customer Fraud, £13.1 million (0.3%) is Customer Error and £12.7 million (0.3%) is Official Error. Thus, while total benefit expenditure has increased from £4,681 million in 2012, to £4,811 million in 2013, fraud and error overpayments have remained the same at 0.9% of expenditure for the year.

A detailed breakdown of the total overpayment amount for 2013 of £45.6 million is disclosed in the following overpayment 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 2012 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 2013 and the 2012 years.

Official Error

Official Error occurs when benefit awards are miscalculated as a result of an official not applying the benefit specific rules correctly or not taking into account all the circumstances applicable to an individual. The table below sets out the estimate of Official Error in 2013. Estimates of Official Error in 2012 are also shown for comparative purposes.

Estimates of benefit overpayment due to Official Error in 2013

Benefit	Expenditure £	Monetary Value of Official Error £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Error as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Financial Accuracy Review
Disability Living Allowance	886,543,993	1,885,017	-	4,552,197	0.20%	0.00%	0.50%	Jan 13 - Dec 13
Employment and Support Allowance	468,689,101	8,256,902	5,743,641	11,014,195	1.80%	1.20%	2.40%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	-	-	-	0.00%	0.00%	0.00%	Jan 11 - Dec 11 updated
Income Support	244,925,310	1,267,206	342,182	2,461,260	0.50%	0.10%	1.00%	Jan 13 - Dec 13
Jobseeker's Allowance	231,778,710	1,697,520	311,142	3,855,892	0.70%	0.10%	1.70%	Jan 13 - Dec 13
State Pension	1,963,548,513	574,828	-	1,592,356	0.00%	0.00%	0.10%	Jan 13 - Dec 13
State Pension Credit	327,464,655	6,140,262	3,860,098	8,477,229	1.90%	1.20%	2.60%	Jan 13 - Dec 13
Attendance Allowance	201,532,650	-	-	-	0.00%	0.00%	0.00%	Jan 13 - Dec 13
Carer's Allowance	19,243,538	63,065	2,393	172,078	0.30%	0.00%	0.90%	Jan 13 - Dec 13
Social Fund	129,894,806	-	-	-	0.00%	0.00%	0.00%	Jan 13 - Dec 13
Widow's Benefit/ Bereavement Benefit	84,503,515	1,234,263	740,759	1,775,944	1.50%	0.90%	2.10%	Jan 13 - Dec 13
Instrument of Payment	1,859,977	4,743	-	15,004	0.30%	0.00%	0.80%	Jan 12 - Dec 12 updated
Other expenditure	145,755,919	-	-	-	-	-	-	N/A
Total	4,811,799,114	21,123,806	16,831,446	26,377,665	0.40%	0.30%	0.50%	

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

SOCIAL SECURITY AGENCY

Estimates of benefit overpayments due to Official Error in 2012

Benefit	Expenditure £	Monetary Value of Official Error £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Error as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Financial Accuracy Review
Disability Living Allowance	842,313,226	-	-	-	0.0%	0.0%	0.0%	Jan 12 - Dec 12
Employment and Support Allowance	252,658,304	3,393,129	2,075,471	4,872,956	1.3%	0.8%	1.9%	Jan 12 - Dec 12
Incapacity Benefit	221,225,747	-	-	-	0.0%	0.0%	0.0%	Jan 11 - Dec 11 updated
Income Support	344,508,290	953,769	228,095	1,848,692	0.3%	0.1%	0.5%	Jan 12 - Dec 12
Jobseeker's Allowance	229,433,629	1,774,617	807,196	3,012,574	0.8%	0.4%	1.3%	Jan 12 - Dec 12
State Pension	1,878,741,711	1,110,791	247,174	2,426,500	0.1%	0.0%	0.1%	Jan 12 - Dec 12
State Pension Credit	338,550,659	4,263,238	2,263,028	6,722,413	1.3%	0.7%	2.0%	Jan 12 - Dec 12
Attendance Allowance	202,470,525	286,200	-	736,770	0.1%	0.0%	0.4%	Jan 12 - Dec 12
Carer's Allowance	121,285,487	-	-	-	0.0%	0.0%	0.0%	Jan 12 - Dec 12
Social Fund	83,996,208	704,039	372,300	1,167,789	0.8%	0.4%	1.4%	Jan 12 - Dec 12
Widow's Benefit/ Bereavement Benefit	21,472,418	221,735	16,759	586,675	1.0%	0.1%	2.7%	Jan 12 - Dec 12
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	144,584,718	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,681,240,922	12,707,518	9,847,556	16,292,654	0.3%	0.2%	0.3%	

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

Customer Error

Customer error occurs where there has been a failure by the customer to notify a reportable change that affects the benefit in payment but there is no suspicion of fraud/fraudulent intent.

The table below sets out the estimate of Customer Error in 2013. Estimates of Customer Error in 2012 are also shown for comparative purposes.

Estimates of benefit overpayments due to Customer Error in 2013

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Customer Error as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review
Disability Living Allowance	886,543,993	-	-	-	0.00%	0.00%	0.00%	Jan 08 - Dec 08 updated
Employment and Support Allowance	468,689,101	2,591,438	997,475	4,714,179	0.60%	0.20%	1.00%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	1,056,396	-	3,117,241	1.00%	0.00%	2.90%	Jan 09 - Dec 09 updated
Income Support	244,925,310	1,074,281	-	2,625,855	0.40%	0.00%	1.10%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	231,778,710	592,579	-	1,693,374	0.30%	0.00%	0.70%	Jan 13 - Dec 13
State Pension	1,963,548,513	-	-	-	0.00%	0.00%	0.00%	Jan 09 - Dec 09 updated
State Pension Credit	327,464,655	2,990,865	1,407,503	4,988,387	0.90%	0.40%	1.50%	Jan 13 - Dec 13
Attendance Allowance	201,532,650							N/A
Bereavement Benefit	19,243,538							N/A
Carer's Allowance	129,894,806	71,285	-	363,924	0.10%	0.00%	0.30%	Jan 10 - Dec 10 updated
Social Fund	84,503,515							N/A
Widow's Benefit	1,859,977							N/A
Other expenditure	145,755,919							N/A
Total	4,811,799,114	8,376,844	5,257,311	12,432,454	0.20%	0.10%	0.30%	

Estimates of benefit overpayments due to Customer Error in 2012

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Customer Error as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review
Disability Living Allowance	842,313,226	-	-	-	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	252,658,304	2,663,884	1,690,164	3,783,314	1.1%	0.7%	1.5%	Jan 12 - Dec 12
Incapacity Benefit	221,225,747	2,203,521	-	6,502,208	1.0%	0.0%	2.9%	Jan 09 - Dec 09 updated
Income Support	344,508,290	1,511,068	630,021	2,602,278	0.4%	0.2%	0.8%	Jan 12 - Dec 12
Jobseeker's Allowance	229,433,629	209,757	-	975,624	0.1%	0.0%	0.4%	Jan 11 - Dec 11 updated
State Pension	1,878,741,711	-	-	-	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	338,550,659	6,396,100	3,547,847	9,756,908	1.9%	1.0%	2.9%	Jan 12 - Dec 12
Attendance Allowance	202,470,525	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	121,285,487	66,560	-	339,804	0.1%	0.0%	0.3%	Jan 10 - Dec 10 updated
Social Fund	83,996,208	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit/ Bereavement Benefit	21,472,418	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	144,584,718	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,681,240,922	13,050,889	8,364,240	18,784,895	0.3%	0.2%	0.4%	

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

Customer Fraud

Customer Fraud occurs where the basic conditions of entitlement have not been met, where the customer could reasonably be expected to be aware of the effect on entitlement to benefit and the customer has deliberately not reported relevant information. The table below sets out the estimate of Customer Fraud in 2013. Estimates of Customer Fraud in 2012 are also shown for comparative purposes.

Estimates of benefit overpayments due to Customer Fraud in 2013

Benefit	Expenditure £	Monetary Value of Customer Fraud £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Customer Fraud as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	886,543,993	-	-	-	0.00%	0.00%	0.00%	Jan 08 - Dec 08 updated
Employment and Support Allowance	468,689,101	4,969,709	2,492,874	7,895,853	1.10%	0.50%	1.70%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	2,296,534	-	5,711,747	2.20%	0.00%	5.40%	Jan 09 - Dec 09 updated
Income Support	244,925,310	1,784,104	-	4,426,053	0.70%	0.00%	1.80%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	231,778,710	2,818,584	667,915	5,321,985	1.20%	0.30%	2.30%	Jan 13 - Dec 13
State Pension	1,963,548,513	-	-	-	0.00%	0.00%	0.00%	Jan 09 - Dec 09 updated
State Pension Credit	327,464,655	2,638,935	1,374,015	4,330,121	0.80%	0.40%	1.30%	Jan 13 - Dec 13
Attendance Allowance	201,532,650							N/A
Bereavement Benefit	19,243,538							N/A
Carer's Allowance	129,894,806	1,564,052	-	4,797,153	1.20%	0.00%	3.70%	Jan 10 - Dec 10 updated
Social Fund	84,503,515							N/A
Widow's Benefit	1,859,977							N/A
Other expenditure	145,755,919							N/A
Total	4,811,799,114	16,071,918	10,503,133	22,911,944	0.30%	0.20%	0.50%	

SOCIAL SECURITY AGENCY

Estimates of benefit overpayments due to Customer Fraud in 2012

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Customer Fraud as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	842,313,226	-	-	-	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	252,658,304	2,086,396	958,320	3,467,034	0.8%	0.4%	1.4%	Jan 12 - Dec 12
Incapacity Benefit	221,225,747	4,790,308	-	11,914,051	2.2%	0.0%	5.4%	Jan 09 - Dec 09 updated
Income Support	344,508,290	2,509,494	983,143	4,367,557	0.7%	0.3%	1.3%	Jan 12 - Dec 12
Jobseeker's Allowance	229,433,629	3,221,617	-	8,739,312	1.4%	0.0%	3.8%	Jan 11 - Dec 11 updated
State Pension	1,878,741,711	-	-	-	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	338,550,659	2,454,238	963,853	4,694,980	0.7%	0.3%	1.4%	Jan 12 - Dec 12
Attendance Allowance	202,470,525	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	121,285,487	1,460,388	-	4,479,202	1.2%	0.0%	3.7%	Jan 10 - Dec 10 updated
Social Fund	83,996,208	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit/ Bereavement Benefit	21,472,418	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	391,584	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	144,584,718	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,681,240,922**	**16,914,024**	9,084,130	**26,948,236**	0.4%	0.2%	0.6%	

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

B: Strategies to Reduce Fraud and Error

The Social Security Agency administers 33 benefits to over 1 million customers each year, equating to a total benefit spend of over £4,812 million. Fraud and error occurs within a context where over 99% of benefits are now paid correctly. Reduction of fraud and error has been a long-standing commitment at the core of the Agency'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 on 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.

However, evidence exists that the Agency's long term strategies are working. Estimated social security benefit losses attributable to fraud and error for 2013 total £45.6m or 0.9% of benefit expenditure compared to £42.7m or 0.9% of expenditure reported for 2012. Over the longer term estimated overpayments have decreased from 2003-04 by 35% from £70.7 million in 2003-04 (2.2% of benefit expenditure)[1]. Performance on overpayments at 0.9% has been sustained for 3 consecutive years when benefit expenditure over the same period increased from £4,456 million to £4,812 million.

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 Agency 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.*

Single Investigation Service

In 2013-14 the Agency worked to lay the foundations for the anticipated Welfare Reform Programme including specific fraud and error measures. Support for the Welfare Reform agenda is a key driver to refresh the Agency's strategy for tackling customer fraud and customer error. To enhance existing fraud and customer error services as well as preparing for Welfare Reform, the Agency introduced a new Single Investigation Service in April 2013. Its origins emanated from the 2010 Department for Work and Pensions and Her Majesty's Revenue and Customers fraud and error strategy of a joint working approach in Great Britain to bring together fraud investigations from within Department for Work and Pensions, Her Majesty's Revenue and Customs and Local Authorities into a Single Fraud Investigation Service.

The Northern Ireland model differs slightly from that in Great Britain. The Agency already carries out fraud investigations on behalf of the Northern Ireland Housing Executive. In practical terms, the Agency has always undertaken housing benefit fraud investigations. Fraud investigation, customer compliance and case intervention functions, are now integrated within the Single Investigation Service, effectively managing all customer behaviour by organising customer fraud and customer error activity within one structure. This was Phase 1 of the Single Investigation Service implementation.

Co-location of fraud and error teams and improved profiling will streamline risk identification and case referral, and handling, ensuring early case action by the most appropriate route, fraud investigation, compliance or intervention team.

Customer Fraud and Error Activities

Once again, positivity around the Agency's counter fraud strategy is reflected in 2013 - 14 outcomes. The percentage of benefit fraud against expenditure reduced from 0.4% in 2012 to 0.3% in 2013. The percentage of customer error against expenditure reduced from 0.3% in 2012 to 0.2% in 2013. Performance improvement was aided by using analysis to target higher risk cases, optimising powers to obtain information, matching internal and external data, minimising delays and promoting benefit fraud and error awareness in staff and the public. The Agency is working closely with its partner, the Department for Work and Pensions, to develop risk assessment models to identify the most appropriate response given the circumstances of any case.

Fraud Investigation Route: The Agency's Single Investigation Service is responsible for prevention, detection and investigation of benefit fraud. In summary, through the fraud investigation route 1132 penalties and convictions were imposed during this period. During the same period last year (1 April 12 to 31 March 13) a total of 1,063 penalties and convictions had been imposed. In 2013-14 the monetary value of adjustments arising from the discovery of fraud was estimated to be £11.5 million.

Customer Compliance interviews have continued to generate very positive outcomes in correction and prevention of customer error. In the past year 2013-14 Customer Compliance activity has resulted in changes to over 27% of cases examined. This change rate is consistent with previous years. Customer Compliance has also produced over £3.5 million in benefit adjustments. Directing cases to Customer Compliance frees 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 case 4,444 case interventions achieving a 10% hit rate with 441 positive outcomes. Overpayments of £0.359 million, and underpayments of £0.075 million, were identified. The estimated monetary value of adjustments in these cases equated to £1.9 million.

National Fraud Initiative: During 2013-14, with the Northern Ireland Housing Executive, the Agency handled outcomes from three National Fraud Initiative (NFI) Programmes (NFI 2008, NFI 2010 and NFI 2012.) Of the 1238, NFI 2008 cases referred for investigation almost all have been finalised, with overpayments totalling £5.8 million. There have been 208 sanctions to date on NFI 2008 cases.

Financial Investigation Unit: In addition, the Agency's Financial Investigation Unit brought about the recovery of £443,408 of criminally obtained assets during 2013-14 by way of confiscation and compensation orders obtained through the Courts and voluntary payments.

The Agency, through the auspices of the Department for Work and Pensions, continues to develop relationships with counter fraud Agencies abroad and both foster cooperation with the Department of Social Protection in the Republic of Ireland to make further inroads into cross jurisdictional customer fraud with the purpose of protecting each other's social welfare programmes.

Official Error Strategy and Activities

For 2013, losses from official error equated to 0.4% of benefit expenditure or £21.1 million in comparison to 0.3% of expenditure in 2012, or a monetary value of £12.7million.

Fraud and Error Reduction Board direct and monitor ring-fenced resources within benefit offices to identify and correct error. Resources are allocated to each benefit based on the level of risk within that particular benefit, and all cases within that benefit are analysed further using risk based selection models. To target cases in this way ensures error reduction activity achieves optimum impact. Data matching and risk modelling will play a prominent role moving forward.

Error Reduction Division allocates funds to Error Reduction Teams located in the Regions and Central Benefits using a risk scoring model. The model allocates funds based on the monetary value of error in each benefit with consideration being given to other factors such as the deployment of resources and priorities within the Agency. The Agency'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. Standards Assurance Unit 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. Targets for error reduction activity are formally approved by the Fraud and Error Reduction Board which is the oversight body responsible for Fraud and Error performance.

Within Error Reduction Division a Risk Assessment Team is charged with the reduction of fraud and error in the benefit system through completion of a programme to identify, assess monitor and evaluate risks to benefit processes with the potential to cause fraud and error.

The Agency 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 Agency performance within this area.

During 2013-14, error reduction activity amounted to almost 70,500 actions which led to the adjustment of benefit in just over 10,900 cases, with a total monetary value of around £28.7 million. Just over £12million of adjustments to payments related to customers entitled to additional benefits.

Future Single Investigation Service Strategy

The second phase of the implementation of the Single Investigation Service will potentially see the creation of partnerships with Her Majesty's Revenue and Customs and Northern Ireland Housing Executive and the introduction of a single fraud hotline for reporting suspected fraud relating to benefits and tax credit.

Other proposals depend on the Welfare Reform Bill receiving Royal Assent.

C: Underpayments

Benefit Underpayments

The table below shows the estimates of benefit underpayments for the last two years, 2013 and 2012.

Overall the figure for estimated amounts of underpayments for 2013 is 0.5% of expenditure, a total of £24.7 million (2012: 0.4% £17.1million).

Estimates of benefit underpayments for 2013 and 2012

2013	Expenditure £	Monetary Value of Error £	[1]Lower Confidence Interval £	[1]Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval
Official Error	4,811,799,114	19,280,517	14,623,195	26,198,124	0.4%	0.3%	0.5%
Customer Error	4,811,799,114	5,466,540	-	16,229,054	0.1%	0.0%	0.3%
Total Underpayments 2013	**4,811,799,114**	**24,747,057**	**16,416,929**	**37,541,001**	**0.5%**	**0.3%**	**0.8%**

2012	Expenditure £	Monetary Value of Error £	[1]Lower Confidence Interval £	[1]Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval
Official Error	4,681,240,922	12,798,130	9,510,586	17,535,774	0.3%	0.2%	0.4%
Customer Error	4,681,240,922	4,295,112	-	14,518,386	0.1%	0.0%	0.3%
Total Underpayments 2012	**4,681,240,922**	**17,093,242**	**9,765,158**	**28,360,921**	**0.4%**	**0.2%**	**0.6%**

1 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 Monetary Value of Error.

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

The table below sets out the estimate of benefit underpayments due to Official Error in 2013. Estimates for 2012 are also shown for comparative purposes.

Estimates of benefit underpayments due to Official Error in 2013

Benefit	Expenditure £	Monetary Value of Official Error £	[1]Lower Confidence Interval £	[1]Upper Confidence Interval £	Monetary Value of Official Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	886,543,993	1,869,914	275,223	3,968,087	0.20%	0.00%	0.40%	Jan 13 - Dec 13
Employment and Support Allowance	468,689,101	6,336,555	4,410,842	8,693,089	1.40%	0.90%	1.90%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	504,294	-	1,125,711	0.50%	0.00%	1.10%	Jan 11 - Dec 11 updated
Income Support	244,925,310	1,038,093	363,732	1,853,334	0.40%	0.10%	0.80%	Jan 13 - Dec 13
Jobseeker's Allowance	231,778,710	911,547	203,175	1,873,225	0.40%	0.10%	0.80%	Jan 13 - Dec 13
State Pension	1,963,548,513	4,057,076	677,293	9,681,869	0.20%	0.00%	0.50%	Jan 13 - Dec 13
State Pension Credit	327,464,655	3,511,419	1,979,209	5,362,968	1.10%	0.60%	1.60%	Jan 13 - Dec 13
Attendance Allowance	201,532,650	204,093	-	626,340	0.10%	0.00%	0.30%	Jan 13 - Dec 13
Bereavement Benefit	19,243,538	11,395	-	25,878	0.10%	0.00%	0.10%	Jan 13 - Dec 13
Carer's Allowance	129,894,806	-	-	-	0.00%	0.00%	0.00%	Jan 13 - Dec 13
Social Fund	84,503,515	802,497	168,050	1,621,464	0.90%	0.20%	1.90%	Jan 13 - Dec 13
Widow's Benefit	1,859,977	33,634	-	113,386	1.80%	0.00%	6.10%	Jan 12 - Dec 12 updated
Other expenditure	145,755,919	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,811,799,114	19,280,517	14,623,195	26,198,124	0.40%	0.30%	0.50%	

Estimates of benefit underpayments due to Official Error in 2012

Benefit	Expenditure £	Monetary Value of Official Error £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Official Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	842,313,226	682,188	-	1,829,923	0.1%	0.0%	0.2%	Jan 12 - Dec 12
Employment and Support Allowance	252,658,304	2,556,653	1,717,242	3,516,571	1.0%	0.7%	1.4%	Jan 12 - Dec 12
Incapacity Benefit	221,225,747	1,051,900	515,424	1,700,002	0.5%	0.2%	0.8%	Jan 11 - Dec 11 updated
Income Support	344,508,290	606,874	104,068	1,334,269	0.2%	0.0%	0.4%	Jan 12 - Dec 12
Jobseeker's Allowance	229,433,629	492,243	37,749	1,170,388	0.2%	0.0%	0.5%	Jan 12 - Dec 12
State Pension	1,878,741,711	2,672,388	532,869	6,224,390	0.1%	0.0%	0.3%	Jan 12 - Dec 12
State Pension Credit	338,550,659	4,369,987	2,527,148	6,541,672	1.3%	0.7%	1.9%	Jan 12 - Dec 12
Attendance Allowance	202,470,525	-	-	-	0.0%	0.0%	0.0%	Jan 12 - Dec 12
Carer's Allowance	121,285,487	192,254	-	608,984	0.2%	0.0%	0.5%	Jan 12 - Dec 12
Social Fund	83,996,208	16,199	-	45,380	0.0%	0.0%	0.1%	Jan 12 - Dec 12
Widow's Benefit/ Bereavement Benefit	21,472,418	157,444	28,888	330,506	0.7%	0.1%	1.5%	Jan 12 - Dec 12
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	144,584,718	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,681,240,922	12,798,130	9,510,586	17,535,774	0.3%	0.2%	0.4%	

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

The table below sets out the estimate of benefit underpayments due to Customer Error in 2013. Estimates of underpayments for Customer Error in 2012 are also shown for comparative purposes.

Estimates of benefit underpayments due to Customer Error in 2013

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Customer Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	886,543,993	-	-	-	0.00%	0.00%	0.00%	Jan 08 - Dec 08 updated
Employment and Support Allowance	468,689,101	767,838	129,092	1,700,141	0.20%	0.00%	0.40%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	-	-	-	0.00%	0.00%	0.00%	Jan 09 - Dec 09 updated
Income Support	244,925,310	175,411	-	904,209	0.10%	0.00%	0.40%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	231,778,710	31,339	-	94,949	0.00%	0.00%	0.00%	Jan 13 - Dec 13
State Pension	1,963,548,513	3,642,620	-	14,290,156	0.20%	0.00%	0.70%	Jan 09 - Dec 09 updated
State Pension Credit	327,464,655	849,332	109,547	1,877,585	0.30%	0.00%	0.60%	Jan 13 - Dec 13
Attendance Allowance	201,532,650							N/A
Bereavement Benefit	19,243,538							N/A
Carer's Allowance	129,894,806	-	-	-	0.00%	0.00%	0.00%	Jan 10 - Dec 10 updated
Social Fund	84,503,515							N/A
Widow's Benefit	1,859,977							N/A
Other expenditure	145,755,919							N/A
Total	4,811,799,114	5,466,540	0	16,229,054	0.10%	0.00%	0.30%	

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

Estimates of benefit underpayments due to Customer Error in 2012

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi-dence Interval £	Monetary Value of Customer Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	842,313,226	-	-	-	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	252,658,304	150,184	1,105	444,541	0.1%	0.0%	0.2%	Jan 12 - Dec 12
Incapacity Benefit	221,225,747	-	-	-	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
Income Support	344,508,290	246,731	-	759,289	0.1%	0.0%	0.2%	Jan 12 - Dec 12
Jobseeker's Allowance	229,433,629	34,137	-	172,505	0.0%	0.0%	0.1%	Jan 11 - Dec 11 updated
State Pension	1,878,741,711	3,485,293	-	13,672,956	0.2%	0.0%	0.7%	Jan 09 - Dec 09 updated
State Pension Credit	338,550,659	378,767	26,247	977,391	0.1%	0.0%	0.3%	Jan 12 - Dec 12
Attendance Allowance	202,470,525	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	121,285,487	-	-	-	0.0%	0.0%	0.0%	Jan 10 - Dec 10 updated
Social Fund	83,996,208	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit/ Bereavement Benefit	21,472,418	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	144,584,718	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,681,240,922	4,295,112	0	14,518,386	0.1%	0.0%	0.3%	

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

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

SOCIAL SECURITY AGENCY

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

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

The difference between what claimants in these 'change in customers' circumstances' cases are receiving in excess of DLA entitlement and what they would potentially receive if their benefit was reassessed was estimated to be around £38.0 million, 5.7% of DLA expenditure in 2008. Since there was no DLA Benefit Review in 2013, the 2013 estimate for DLA 'change in customer circumstances' overpayments is estimated by applying the 2008 percentage. In comparison the 2013 estimate is £50.3 million, 5.7% of expenditure. The 2012 estimate was £47.8 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 £19.4million, 2.9% of expenditure in 2008. Since there was no DLA Benefit Review in 2013, the 2013 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. In comparison the 2013 estimate is £25.7 million, 2.9% of expenditure. The 2012 estimate is £24.4 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

Social Security Agency

Report by the Comptroller and Auditor General

Report by the Comptroller and Auditor General

Introduction

1. The Social Security Agency (the Agency) is an Executive Agency within the Department for Social Development (DSD), which in 2013-14 was responsible for the payment of £4.8 billion in benefits.

2. This report reviews the results of my audit of the Agency's 2013-14 financial statements and sets out why I have again decided to qualify my audit opinion on the regularity of benefit expenditure, other than State Pension. It is important to note that my audit opinion has been qualified for a considerable number of years because of this issue.

3. I acknowledge that the Agency faces a significant challenge in administering a complex benefits system to a high degree of accuracy in a cost effective way. Whilst there is no acceptable level of fraud and error, there will always be an element of fraud and error inherent in the benefits system and I am encouraged by the initiatives used by the Agency in counteracting this and sustaining the estimated level of overpayments at 0.9 per cent of benefit expenditure for the third successive year. This compares very favourably with the estimate in the Department for Work and Pensions (DWP) in Great Britain of 1.5 per cent[1] and is a major reduction on ten years ago when overpayments due to fraud and error were estimated at 2.2 per cent of benefit expenditure.

4. I have, however, decided to continue to qualify my audit opinion on the regularity of benefit expenditure, other than State Pension. I accept that the inherent nature of fraud and error in the complex benefit systems means that it may be difficult for the Agency to reduce the estimated levels further from their current level, particularly because of potential Welfare Reform changes. Nevertheless, the total level of estimated overpayments and underpayments due to fraud and error continues to be significant at 1.3 per cent which is the reason why my regularity opinion continues to be qualified.

5. I have not qualified my audit opinion on the regularity of State Pension payments because they have been estimated to have a low incidence of error and no reported customer fraud.

6. My report below gives more detail on how the Agency estimates fraud and error, the detailed levels of fraud and error and also provides an update on a number of issues I reported on last year.

Agency arrangements for monitoring and reporting fraud and error

7. The Agency's Standards Assurance Unit (SAU) regularly monitors and provides estimates of levels of fraud and error within the benefit system. In order to do this, statisticians from the DSD Analytical Services Unit randomly select samples of

[1] The level of error for DWP relates to figures for 2012-13 for benefits administered by it which are comparable to those administered by the Agency.

ongoing benefit claims and SAU subject them to detailed examination for evidence of customer fraud, customer error or official error.

8. The results of this testing are then used to produce a range of likely fraud and error for all of the main benefits (within 95 per cent confidence intervals) and the midpoint of this range is presented in Note 26 (entitled 'Payment Accuracy') to the financial statements as an estimate of the monetary value and level of the fraud and error in the year. Note 26 explains that the estimates of fraud and error are by their nature subject to uncertainty because they are based on sample testing, randomly carried out across the main benefits each year. These estimates do, however, represent the best measure of fraud and error available.

9. In order to facilitate the timetable for the production of the financial statements, the Agency'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.

10. I examined the work undertaken by the Agency to assess the estimated levels of fraud and error within the benefit system. My staff examined and re-performed a sample of the Agency's case work during the year and also reviewed the methodologies applied by the Agency in carrying out these exercises. I am content that the results produced by the SAU are a reliable estimate of the total fraud and error in the benefit system.

Qualified opinion due to fraud and error in benefit payments

11. 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.

12. The criteria that are 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 under payment 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 and are therefore irregular.

13. However, my regularity opinion is not qualified in respect of State Pension payments because the testing carried out by SAU found no fraud within State Pension payments and the estimated level of error (as shown in Table 1) within State Pension is not significant.

14. Table 1 below shows the total benefit payments made during the calendar year of 2013 and the estimated level of fraud and error in relation to these benefits, based on the work completed by SAU. The table

shows that total benefits (other than State Pension) amounted to £2.8 billion with estimated over and under payments totalling £60.2 million (on which I have qualified my audit opinion) comprising:

- overpayments of £45 million (0.9 per cent of total benefits); and
- underpayments due to official error of £15.2 million (0.3 per cent of total benefits).

All overpayments are irregular, whereas only underpayments made as a result of official error are deemed irregular. Underpayments due to customer error are not deemed irregular.

15. I consider the estimated levels of fraud and error in benefit expenditure to be material and I have therefore qualified my audit opinion on the regularity of benefit expenditure (other than in relation to State Pension).

Table 1: Estimated Overpayments and Underpayments due to fraud and error in benefit expenditure (2013)[2] (Note 26 to the financial statements)

	Benefits (other than State Pension) £million	State Pension £million	Total £million
Expenditure	2,848.2	1,963.6	**4,811.8**
Overpayments due to:			
Customer fraud	16.1	0	**16.1**
Customer error	8.4	0	**8.4**
Official error	20.5	0.6	**21.1**
Sub-total	**45.0**	**0.6**	**45.6**
% of total benefits	**0.9%**	-	**0.9%**
Underpayments[3] due to:			
Official error	**15.2**	**4.1**	**19.3**
% of total benefits	**0.3%**	**0.1%**	**0.4%**

[2] Estimates in tables 1 and 2 are to the nearest £0.1million and presented with 95 per cent confidence intervals.
[3] Underpayments exclude those due to customer error which do not form part of the audit qualification. In 2013, these underpayments are estimated to be £5.5 million (2012 - £4.3 million).

Estimated levels of fraud and error

16. The Payment Accuracy Note (Note 26) divides over and under payments into the following categories:

- Fraud - this arises when customers deliberately seek to mislead the Agency to claim money to which they are not entitled; and
- Error - this arises because of customer error or official error:
  - Customer error occurs when customers make inadvertent mistakes with no fraudulent intent; and
  - Official error arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Agency.

Table 2 shows the trends since 2009 in estimated levels of fraud and error and each of these is discussed further below.

Table 2: Trends in total estimated fraud and error in benefit expenditure

	2013 £million	2012 £million	2011 £million	2010 £million	2009 £million
Total benefit expenditure	**4,811.8**	**4,681.2**	**4,456.4**	**4,352.1**	**4,176.4**
(1) Overpayments					
Customer fraud	16.1	16.9	19.4	20.5	17.2
Customer error	8.4	13.1	7.3	6.5	12.9
Official error	21.1	12.7	13.2	21.2	16.7
TOTAL	**45.6**	**42.7**	**39.9**	**48.2**	**46.8**
% of benefit expenditure	**0.9%**	**0.9%**	**0.9%**	**1.1%**	**1.1%**
(2) Underpayments[3]					
Official error	19.3	12.8	14.0	15.1	16.1
% of benefit expenditure	**0.4%**	**0.3%**	**0.3%**	**0.3%**	**0.4%**

Source: Social Security Agency financial statements 2009-10 to 2013-14

Customer Fraud

17. 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 fraud as they require the customer to provide complete and accurate information in order to establish entitlement to benefit. Most commonly, fraudulent statements made by customers relate to:

- under declaration of assets;
- falsely stating the level of their own or partner's earnings;
- undeclared and under declared occupational pensions;
- customers working but claiming unemployment benefits;
- customers not disclosing they are living abroad; and
- customers' living arrangements where the customer has a partner but is claiming and receiving benefit as a single person.

18. The estimated level of fraud has fallen slightly again this year to £16.1 million (0.3 per cent of total benefits) from £16.9 million (0.4 per cent of total benefits) last year. This is now at its lowest level for several years and appears to be due to the Agency's continued focus on targeting, detecting and preventing customer fraud.

Customer error

19. Those benefits with the highest customer error rates tend to be means-tested benefits such as State Pension Credit, Income Support and Employment and Support Allowance, which have entitlement conditions that relate to the level of income and/or savings of customers. The Agency has told me the main reasons for customer error are:

- the benefits system is complex for customers to navigate;
- customers may be unaware of rules on capital, investments or redundancy payments and do not easily understand deductions for non-dependants;
- customers do not always understand that they have to report any changes in their circumstances; and
- many customers incorrectly believe that

reporting changes once to a public body will lead to all government bodies updating their records for that individual.

20. The estimated amount of customer error has fallen this year, from a relatively high level of £13.1 million (0.3 per cent of total benefits) last year to £8.4 million (0.2 per cent of total benefits) in 2013.

21. The Agency told me that this is a record achievement, with 0.2 per cent representing a historic low level of customer error. It also told me that this improvement had been achieved due to a number of factors, the most significant of which was the reduction of customer error in State Pension Credit from £6.4million (1.9 per cent of benefit spend) to £3 million (0.9 per cent of benefit spend). It felt that a combination of the its own data matching activities, combined with targeting through NIAO's ongoing National Fraud Initiative has resulted in more effective targeting of unreported earnings and occupational pensions – these being the main catalysts for improvement. Additionally, customer error in Incapacity Benefit (IB) reduced from £2.2 million to £1.0 million. While this reduction in the overall figures arose due to the reducing IB caseload, the Agency felt it had performed well in driving actual customer error improvements within the increasing caseload of Employment and Support Allowance (ESA), with the level of customer error almost halving, from 1.1 per cent of expenditure in 2012 to 0.6 per cent in 2013. Again the Agency said this was due to the focus of its Single Investigation Service on undeclared income within the benefit administration.

22. The Agency has also told me that it plans additional compliance work within ESA in the coming year which it expects to ensure that the focus remains on successfully targeting and reducing customer error. Overall, the Agency feels that its focus on customer fraud and error is working, with the levels of customer fraud and error down to their lowest levels recorded of 0.3 per cent and 0.2 per cent respectively. The reorganisation of all customer fraud and error activity under a Single Investigation Service during 2013 has been key to that success by streamlining fraud and error processes, driving cohesiveness and flexibility in addressing risk, and maximising the use of available resources under a single management structure. Looking ahead, the Agency has told me that risks highlighted through measurement will continue to inform counter fraud and error activity, complimented by planned new case routing procedures, to ensure that risk cases are directed promptly towards the most effective method of intervention activity.

Official error

23. Official errors are those that are attributed as being the fault of the Agency. They 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 Social Security official errors include:

- incorrectly recording a customer's income;
- incorrectly applying complex benefit rates; and
- making errors in establishing the customer's status (such as their fitness for work, living arrangements etc).

24. Estimated overpayments due to official error have increased significantly from £12.7 million (0.3 per cent of total benefits) in 2012 to £21.1 million (0.4 per cent of total benefits) in 2013. This is disappointing as the control of official error is the area where the Agency has the most influence. In particular, I noted substantial increases in estimated overpayments due to official error in two benefits:

- Disability Living Allowance which had no official error last year increased to £1.9 million in 2013; and
- Employment and Support Allowance (ESA) which increased from £3.4 million last year to £8.3 million in 2013.

25. The Agency told me that while the levels of official error did increase significantly within ESA, there was not a corresponding significant decrease in performance and the branch in fact performed at similar levels to those of the previous year with accuracy levels in 2012 of 97.6 per cent compared to 96.9 per cent in 2013. It felt that the increase in the level of official error in ESA must be considered in view of the wider context and specifically the migration of Incapacity Benefit (IB) and Income Support (IS) customers to ESA. This reached its peak in the 2013-14 year and the Agency considered that the impact of this was twofold; namely a direct increase in the levels of estimated error as a result of the increased expenditure, and a significant increase in workload for the branch (the ESA caseload almost doubled) – with all the associated difficulties that brings in respect of staffing, skills, training and inexperience.

26. The Agency further clarified that ESA benefit expenditure has increased by around 85 per cent (£216 million) since 2012, now standing at almost £470 million annual spend. Despite this increase in expenditure it pointed out that accuracy levels had remained stable at around 97 – 98 per cent throughout the 2013 year. The Agency also highlighted a number of initiatives aimed at beginning to steer accuracy levels upwards

post completion of the IB/IS migration and in anticipation of a greater period of stability for the branch.

27. The Agency explained that, as regards Disability Living Allowance, the 2013 increase of £1.9 million was in respect of a starting point of zero in the previous year, with the movement in accuracy resulting from nil errors to just three incorrect cases identified out of a random sample of 744. The Agency pointed out that this represented a 0.2 per cent overall loss of benefit spend, or an accuracy rate against the risk of loss, of 99.8 per cent. The Agency confirmed that there was no particular downward trend or area of concern in respect of the three errors discovered, and overall, it felt that 99.8 per cent represented excellent performance, particularly against a backdrop of over 180,000 customers and expenditure of almost £1billion per year.

28. Official errors can also lead to underpayments and when they do, this can lead to significant hardship for customers. The estimated level of underpayments due to official error has also increased significantly from £12.8 million (0.3 per cent of total benefits) last year to £19.3 million (0.4 per cent of total benefits) in 2013.

29. I am concerned by these substantial increases in official error and asked the Agency for its view as to why this has occurred and also what it is doing to reduce the extent of official error in future.

30. The Agency told me that in overall terms, accuracy in 2013 was 99.2 per cent against a backdrop of a vast, and complex, benefit system. It also highlighted that the total amount of benefit expenditure had increased by £130 million in 2013 (2.8 per cent of benefit expenditure), and the level of official error overpayments and underpayments had both increased by 0.1 per cent respectively. Nonetheless, the Agency continues to place fraud and error as a key priority and is committed to driving continuous improvement. In particular, the Agency continues to be proactive in addressing official error by targeting high risk areas and this will be developed through refinement of high risk scans as well as dedicated teams of accuracy checkers.

31. The Agency also pointed out that the Error Reduction Division 2014-15 funding had been almost doubled in relation to Employment and Support Allowance (ESA) to help focus on the area of staff accuracy. With the completion of the migration of Incapacity Benefit and Income Support claims to ESA a review of accuracy checking in ESA is also planned for 2014. This will ensure the maximum impact on reducing the level of official error. The Agency has also completed a review of accuracy checking in State Pension Credit resulting in the introduction of enhanced methods to target particular high risk events which contribute to financial inaccuracy.

32. The Agency told me that the key to maximising the impact of the additional error reduction resources in place in high risk areas, particularly ESA, is targeting the causes of incorrectness and identifying those cases at greatest risk. It also confirmed

that significant effort has gone into the identification and targeting of error, with the intention that as this progresses the overall accuracy levels of 99.2 per cent will increase further.

Other matters

Disability Living Allowance - Changes in Circumstances

33. Note 26 of the Agency's financial statements outlines cases where a gradual change in customers' needs has occurred, so that entitlement to Disability Living Allowance (DLA) may have changed. It is considered unreasonable to expect the customer to know at which point that had occurred and therefore it is likely that the Agency 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 Agency 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.

34. The Agency last carried out a full benefit review of DLA in 2008 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. Using these figures, the Agency estimates that in 2013, some customers have received £50.3 million more than they would have been potentially entitled to if their circumstances were reassessed, and other customers are estimated to have received £25.7 million less than they would have been potentially entitled to.

35. 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. I note that the Agency 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 Agency and the customer. I asked the Agency what is currently being done to reduce the incidence of these specific DLA cases.

36. The Agency told me that, in line with recommendations from NIAO and the Public Accounts Committee, it continues to identify DLA cases that are likely to result in a change of circumstances. In addition, the Agency's Fraud and Error Reduction Board has continued to ring-fence funding in 2014-15 to target and correct these cases. From April 2013 to March 2014 the Agency advised me that it had examined 1,663 cases under Periodic Enquiry which resulted in a monetary value of adjustment of almost £2 million.

SOCIAL SECURITY AGENCY

Benefit debt

37. Benefit debt arises whenever benefits are paid due to customer error or as a result of fraud by customers and these overpayments are due to be repaid to the Agency. At 31 March 2014, customers owed the Agency a gross debt amount of £111.9 million and Table 3 below shows a breakdown of the total debt as at 31 March for each of the last five financial years.

Table 3: Movements in Benefit debt

	March 2014 £million	March 2013 £million	March 2012 £million	March 2011 £million	March 2010 £million
Opening gross benefit debt	109.2	104.2	95.2	90.7	81.8
Debt created in year [4]	31.5	31.8	38.8	31.2	37.5
Debt recovered in year	(13.9)	(13.9)	(12.5)	(11.7)	(11.5)
Debt written off in year	(14.9)	(12.9)	(17.3)	(15.0)	(17.1)
Closing gross benefit debt	**111.9**	**109.2**	**104.2**	**95.2**	**90.7**
Impairment / Discounting adjustment	(60.4)	(59.2)	(59.6)	(56.3)	(51.8)
Total net benefit debt	**51.5**	**50.0**	**44.6**	**38.9**	**38.9**

Source: Social Security Agency financial statements 2009-10 to 2013-14 (gross and net benefit debt to be recovered, debt written off); Social Security Agency (debt recovered and impairment/discounting adjustment).

38. In accordance with the relevant accounting guidance, the Agency has examined the gross debt figure and assessed how much of this debt may not be recovered from the customer (i.e. is impaired) based on a number of factors including: whether the debt has been overdue for a long period of time, whether contact with the customer has been lost and whether the customer may not be able to afford to repay. This gross figure has also been discounted to reflect the time value of money (based on the appropriate HM Treasury interest rate) and the fact that it may not be recovered for some time. Based on this impairment and discounting, the gross debt figure of £111.9 million at 31 March 2014 has been reduced to £51.5 million. The Agency's debt recovery processes are however focused on maximising the amount of repayment and the Agency endeavours to recover the gross amount of a benefit overpayment debt.

39. I acknowledge that the current recovery of benefit debt is complicated by the significant restrictions that are placed by

[4] Debt created in year is a balancing figure and assumed to represent the amout of new debt in the year.

legislation on the amounts that can be recovered. This is particularly the case when customers are still receiving benefits and are often only able to repay very small amounts each week and therefore will take many years to fully repay the debt. The recovery of debt from customers no longer receiving benefit can also be difficult. I note that the amount of debt recovered in 2013-14 has increased compared to earlier years. Nevertheless it is important that the Agency does all it can to manage this debt and this is an area which I have reported on previously and will continue to examine closely in future years.

40. The Agency has now published its Debt Strategy and has established a Debt Transformation Project to manage implementation of any agreed Welfare Reform changes relating to recovery of Government debt. A Debt Strategy Implementation Plan has been put in place during 2013-14 and I also note that the proposed Welfare Reform legislative changes include enhanced debt recovery powers, such as:

- The provision to recover benefit overpayment debt using direct attachment of earnings, i.e. through a deduction to the debtor's salary processed with their employer at source; and
- for specific working age benefits, overpayments due to official error will become recoverable.

41. I have previously recommended that the Agency improves the information being reported to its Board on the value, status and recovery of debt to include a number of key statistics on its recovery, so that performance can be more easily managed. The Board will be regularly provided with high level information on a number of key figures including the percentage of debt for which repayments are taking place, as set out below.

Table 4: Benefit debt with ongoing repayments

	March 2014	March 2013	March 2012
Overall outstanding debt position	£111.9m	£109.2m	£104.2m
Debtors no longer in receipt of benefit			
(i) Gross debt	£40.9m	£41.6m	£37.0m
(ii) % outstanding debt with ongoing repayments	39.4%	34.7%	33.8%
Debtors in receipt of benefit			
(i) Gross debt	71.0m	£67.6m	£67.2m
(ii) % outstanding debt with ongoing repayments	87.0%	87.0%	77.7%

Source: Social Security Agency Debt Management Branch

42. There is a considerable difference between debts with active recoveries taking place from debtors receiving benefit (87 per cent) and from debtors no longer receiving benefit (39.4 per cent). I asked the Agency to explain why the percentage of debt in active recovery is so low for those debtors no longer in receipt of benefit.

43. The Agency told me that it has limited powers in relation to securing repayment from those debtors no longer in receipt of Social Security Benefit. The Agency also highlighted that the proposed Welfare Reform legislative provision, to recover debt through a deduction to the debtor's salary processed with their employer at source, is critical to driving improvements in recovery levels from this debtor segment. It also highlighted that it has successfully improved the percentage of outstanding debt with ongoing repayments within this debt category - from 33.8 per cent to 39 per cent in the last three financial years. As part of its Debt Strategy, the Agency will be implementing a range of measures over the next two years aimed at improving recovery of debt from those no longer on Social Security benefits.

Employment and Support Allowance (ESA)

44. ESA replaced Incapacity Benefit and Income Support on the grounds of incapacity, for new claims following its introduction in October 2008. In the early years of ESA implementation, the financial accuracy rates (the estimated value of cases that have been correctly paid without any fraud or error as a percentage of the total benefit) were reflective of the fact that this was a new benefit, but gradually improved to 97.6 per cent last year, exceeding the Agency's then 96 per cent target. However, in 2013, financial accuracy has fallen to 96.9 per cent, just below the new 97 per cent target. I note that ESA expenditure rose significantly from £253 million in 2012 to £469 million in 2013 as new and existing customers were assessed for ESA. However, I was surprised by the fall in financial accuracy this year and by the fact that the Agency had set a target for ESA of only 97 per cent. This target was lower than that actually achieved last year and lower than the targets set for other benefits. I asked the Agency to comment on the setting of its target and the reduction in financial accuracy this year.

45. The Agency told me that the ESA financial accuracy target increased from 96 per cent in 2012 to 97 per cent in 2013. It felt that this represented a gradual increase year on year in line with expectations of performance. The target in 2013-14 of 97 per cent was set on the basis of a realistic expectation of performance based on a number of factors. While the 2012 outcome of 97.7 per cent was higher than expected, the Agency stressed that target setting must be based on what is anticipated in the coming year and not solely on previous performance.

46. The Agency also told me that as it moved towards 2013, it was clear that the caseload was about to double across ESA and migration of the Income Support (IS)/ Incapacity Benefit (IB) caseload was expected to peak, resulting in a substantial increase, not only in dealing with claims, but also in case maintenance and changing customer circumstances – against this environment the Agency believed this was the right target. In respect of ESA financial accuracy, the Agency has confirmed that additional resources have been applied to ESA for 2014, solely for the purposes of reducing error and increasing accuracy. It has also told me that clear factors influencing the levels of accuracy have been identified, with firm plans in place, and activity now underway to target the causes of error. The Agency's Fraud and Error Reduction Board (FERB) maintains a close scrutiny of the work of the Benefit Security Division, including receiving quarterly reports on accuracy levels and two monthly updates on the effectiveness of counter fraud and error activity.

Counteracting customer fraud and error

47. I acknowledge the considerable effort and resources that the Agency has put into reducing the estimated levels of customer fraud and error, including extensive risk based processes to identify cases with a high risk of customer fraud and error which require investigation, its fraud telephone and text hotlines and its website which facilitates online reporting of suspected benefit fraud. The issue of press releases by the Agency for every conviction is also a useful deterrent.

48. In April 2013, the Agency reorganised its approach to counteracting fraud and error into a number of branches including:

- Single Investigations Service (SIS) – responsible for investigating customer fraud and error, including National Fraud Initiative (NFI) investigations;
- Error Reduction Division (ERD) – responsible for preventing staff (official) error; and
- Projects - implementation of GB strategic initiatives from 2014-15 onwards e.g. Integrated Risk Intelligence Services (IRIS) now known as Session and Information Confidence (a data matching initiative with high risk cases being targeted for investigation by SIS) and tax credit fraud investigations.

(i) Single Investigation Service

49. The Single Investigation Service (SIS) brings together all fraud and error investigation (fraud, compliance and intervention) into one unit responsible for operations and policy. The benefit of a Single Investigation Service is that this Unit has oversight of all fraud and error initiatives and provides a holistic investigation service which is more responsive to matters arising. Within the SIS, there is a three tiered approach to

counteracting customer fraud and error:

- Case intervention;
- Customer Compliance; and
- Customer Fraud investigation.

50. Case interventions involve a risk based review of cases, whereby customers are contacted by phone or post to establish whether the circumstances of the benefit claim have changed and if necessary, making correction. In 2013-14 a total of 4,444 case interventions were carried out, with 441 of these cases requiring adjustment resulting in overpayments of £359,000 and underpayments of £75,000.

51. Customer Compliance officers examine lower risk case referrals (e.g. where customers have failed to report a relevant change in their circumstance) that are considered to be susceptible mainly to customer error and where there is likely to be insufficient evidence to prove fraud. Suitably qualified staff interview customers in person to review their claim and then establish the correct benefit entitlement. Action is also taken to recover any benefit overpayments identified. In 2013-14, the Agency estimated adjustments identified by this activity at £3.5 million (2012-13 £4.6 million).

52. Customer fraud investigations are aimed at investigating, detecting and sanctioning benefit fraudsters as a result of case referrals. They also include the recovery of assets from those convicted of serious and lengthy benefit fraud. The Agency has told me that during 2013-14 it imposed 1,132 sanctions on customers (2012-13 – 1,058) who had made fraudulent claims for benefit. These sanctions included:

- 453 people convicted in the courts with offenders receiving jail sentences, community service orders, conditional discharges and fines; and
- 679 administrative penalties imposed by the Agency. These occur when a customer is offered the chance to pay a penalty of 30 per cent of the outstanding debt as an alternative to prosecution.

53. The Agency has also told me that its Financial Investigation Unit (part of SIS) has brought about the recovery of £443,408 of criminally obtained assets (2012-13 - £435,636) by way of confiscation orders obtained through the courts and additional voluntary payments.

54. In relation to cross border benefit fraud, the Agency continues to work closely with the Department of Social Protection in the Republic of Ireland through the cross border forum. The Agency has told me that at 31 March 2014, a total of 33 suspected cross border benefit fraud cases were being investigated, uncovering overpayments of £193k at this stage of the investigations.

55. I have previously recommended that the Agency develops its programme of data matching benefit payments with occupational pensions data and I welcome the fact that the Agency's focussed work in this area has yielded significant results. In

2013-14 a total of £713,907 customer error due to undeclared and under declared occupational pensions was detected, of which £310,686 was Incapacity Benefit, £286,379 was Income Support and £82,588 was State Pension Credit. A further £7,579 was detected in State Pension Credit under the National Fraud Initiative. I am encouraged by the fact that the Agency continues to develop its data matching reviews beyond the National Fraud Initiative to better direct resources to detect fraud and error. I will monitor future progress in this important area.

(ii) Error Reduction Division

56. The Agency's Error Reduction Division (ERD) has a key role in driving down official error through preventing official error entering the benefits system; detecting official error already in the system; correcting it quickly and learning from this work to reduce the risk of similar errors occurring in the future. The extensive nature of some 200,000 checks by the ERD has resulted in errors of approximately £28.7 million being identified. These errors are a measure of how much official error has been removed from the benefit system via targeted activity i.e. the total estimated value of specific errors and includes both the total historical over/underpayment (which could be over a number of years) and an estimate of the future over/underpayment.

(iii) Ongoing projects

57. One of the key projects for the Agency is the implementation of the new Integrated Risk Intelligence Service (IRIS) now known as Session and Information Confidence. This new system which is being developed by the Department of Work and Pensions (DWP) in GB will help the Agency target its resources through the use of risk profiling, data matching (with real time information from a wide range of internal and external sources) and using analytical expertise including specialists in customer behaviours. This new system would have a particular impact in preventing fraud and error entering the benefit system in the first instance when new claims are made and during the transition of existing customers to new systems if welfare reform is introduced.

58. I also note that in 2014-15 SSA will be receiving HMRC Real Time Information (RTI) data on earnings. This data will be matched with all current social security benefit claims and will identify unreported working, unreported secondary occupations and unreported or misreported occupational pensions. The Agency has told me they will be allocating resources to this work in anticipation of an increase in new cases of customer fraud and error. This is an important development in counteracting fraud and error and in future years I will consider the outcomes of this new type of data matching.

Conclusion

59. I consider that the estimated levels of fraud and error reported are material and I have therefore qualified my opinion on the 2013-14 Social Security Agency financial statements on the regularity of benefit expenditure (other than State Pension benefits). I do, however, acknowledge that the Agency continues to address the matters which give rise to the longstanding qualification of my opinion. This includes the Agency's ongoing efforts to improve the accuracy of benefit payments and its various anti-fraud initiatives which have resulted in the estimated levels of fraud and error for overpayments being maintained at historically low levels.

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