

**CHILD  
SUPPORT**

*a g e n c y*



## Annual Report and Accounts

2005 - 2006



**NORTHERN IRELAND CHILD SUPPORT AGENCY  
ANNUAL REPORT and ACCOUNTS**

**2005 –2006**

*Laid before the Houses of Parliament, by the Department for Social Development, in accordance with Paragraph 12(2) and (4) of the Schedule to the Northern Ireland Act 2000 and Paragraph 36 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004,*

*20 July 2006*

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# CONTENTS

	Page:
<a href="#">Chief Executive's Report</a>	5
<b>PART 1 - Annual Report 2005 –2006</b>	
<a href="#">Directors Report</a>	6
<a href="#">Highlights of the Year</a>	6
<b>Management Commentary</b>	
<a href="#">Performance against Key Targets</a>	10
<a href="#">Customers</a>	10
<a href="#">Learning and Growth</a>	11
<a href="#">Processes</a>	11
<a href="#">Finance</a>	11
<a href="#">Forward Look</a>	11
<b>Remuneration Report</b>	
<a href="#">Remuneration Policy</a>	12
<b>List of Annexes</b>	
<a href="#">Annex 1 – Balanced Scorecard 2005 -2006</a>	17
<a href="#">Annex 2 - Balanced Scorecard 2006 - 2007</a>	22
<a href="#">Annex 3 – Recruitment Information</a>	25
<b>PART 11 - Annual Accounts 2005 – 2006</b>	
<a href="#">Administration Account</a>	30
<a href="#">Client Funds Account</a>	52
<a href="#">Appendix 1 – Report by the Comptroller and Auditor General</a>	68

## CHIEF EXECUTIVE'S REPORT

The Agency's Annual Report and Accounts for 2005/06 summarises what has again been an extremely challenging year. I cast my mind back to the beginning of the year and think about the many challenges that faced us then:

- the growing backlogs of work with new scheme cases,
- the on-going demands of old scheme cases,
- the increasing number of transitional and clerical cases,
- the increasing number of customer complaints,
- the continued short-comings of our new computer system (CS2),
- accommodation pressures, and
- staff shortages.

I very much regret the difficulties that our customers encountered as a result. What is encouraging to note, however, is the significant progress that we have made in coming to terms with each of the challenges as the year progressed. Through securing additional investment from Great Britain and by judicious use of our overall budget, we have been able to recruit additional staff, increase training & development and begin to improve the overall working environment. As a result, there has been a noticeable improvement in virtually all areas of our business: we have improved the standard and accuracy of our decision-making, we have begun to get new scheme backlogs under control, we have reversed the decline in old scheme compliance and increased new scheme compliance, we have got to grips with the complexities of transitional and clerical cases and we have been able to deal with customer complaints earlier in the cycle. By the end of the year we had collected over £13m from non-resident parents in Northern Ireland and arranged for another £5m to be paid by them directly to the parents with care. Equivalent figures for our customers in Great Britain were £102m and £27m respectively.

On 9 February 2006, the Great Britain Agency's Operational Improvement Plan was announced in Parliament. The plan was constructed around four themes: *Getting it Right, Putting it Right, Keeping it Right and Getting the Best from the Organisation*. We are now reviewing our ways of working in light of these operational proposals. This will raise many questions about our organisation and structure, working methods, computer system, resources, clerical cases and debt. These new changes will bring a new set of challenges for the next few years. However, I know we are up to these challenges and the continued dedication and commitment of our staff will ensure that we continue to make a difference for children whose parents live apart.



**B MCGAHAN**  
**CHIEF EXECUTIVE**

## DIRECTORS REPORT

### HIGHLIGHTS OF THE YEAR

- In Northern Ireland:
  - \* Accuracy increased from 92% to 97%.
  - \* Case Compliance increased from 59% to 64%.
  - \* Cash Compliance increased from 54% to 56%.
- The Agency launched its new Outreach service.
- The total maintenance collected or paid direct for Northern Ireland clients was over £17m and for Great Britain clients was over £128m.
- The number of complaints made to the Independent Case Examiner that progressed to full investigation has reduced significantly on 2004/05.
- Our Belfast National Help line answered 90% of calls received.

### STRATEGIC OVERVIEW

#### History and Principal Activities

The Northern Ireland Child Support Agency was established as an Executive Agency of the Department of Health and Social Services on 5 April 1993 under the Governments "Next Steps" initiative. When power was devolved to the Northern Ireland Assembly on 2 December 1999, the Agency became an Executive Agency of the Department for Social Development.

Our main purpose is to make a difference for children whose parents live apart by arranging or collecting appropriate child support maintenance.

To do this we:

- establish child support - by contacting non-resident parents, arranging the resolution of paternity disputes and calculating child maintenance.
- establish regular payment patterns - by notifying parents of the amount of maintenance to be paid and arranging a suitable payment method, monitoring payments to ensure that a pattern of regular payment is established and collecting and relaying payments at the request of either party.
- maintain child support - by keeping assessments up to date, pursuing missing or late payments promptly and liaising with other Government Departments, Agencies and public bodies.

In fulfilling these responsibilities we aim to be recognised as an Agency which delivers a high quality service to customers and staff because;

- We care about our customers,
- We value and develop our staff,
- We are open, honest, fair and impartial,
- We accept responsibility for our actions,
- We work as one team,
- We strive to improve everything we do.

### **Strategic Objectives**

Our business plan is structured around a set of strategic objectives. Under the Department of Social Development's publication scheme, customers can access the business plan via the Agency's Internet site.

### **Balanced Scorecard**

We use a Balanced Scorecard to ensure a clear focus on our business priorities and to link our business plan with operational plans.

The four elements of our Balanced Scorecard in 2005/06 were:

- Customers
- Processes
- Finance
- Learning and Growth

Details of the Agency's Balanced Scorecard can be found at [Annex 1](#).

### **Agency Management Board**

John Canavan, Resources Director, retired from the Agency in August 2005 and was replaced by Andrea Orr. Jayne Forster, Personnel Officer moved to the Department of Finance and Personnel in December 2005 and was replaced by Sharon Toner who transferred from the post of Operations Manager. Donna Burns filled this post from December 2005 on a temporary basis.

The Agency's Management Board at March 2006 was:

<b>Chief Executive</b>	<b>Barney McGahan</b>
<b>Resources Director</b>	<b>Andrea Orr</b>
<b>Operations Director</b>	<b>Mary Quinn</b>
<b>Operations Manager</b>	<b>Eilish O'Neill</b>
<b>Operations Manager</b>	<b>Donna Burns (temporary)</b>
<b>Operations Manager</b>	<b>Lynda Hurley</b>
<b>Business Development Manager</b>	<b>Chris Matthews</b>
<b>Financial Controller</b>	<b>Jeff Glass</b>
<b>Personnel Officer</b>	<b>Sharon Toner</b>

## AUDIT

### Internal Audit

During 2005/06, the Agency's Internal Audit team carried out a planned programme of work as agreed by the Agency Audit Committee. All of the reviews were conducted in accordance with the Government Internal Audit Standards. The outcome of these reviews has been reported to Senior Management during the year. In addition, the reviews are also reported to and monitored by the Agency Audit Committee on a six monthly basis. At year-end, 4 assignments have been completed to Final Report stage with 3 assignments at Draft Report stage.

In addition to the planned programme of work for this year, a further 5 assignments, which were ongoing at the end of the last audit year, were all finalised during the early stages of 2005/2006

As a result of this work the Head of Internal Audit is able to provide the Agency Accounting Officer and the Agency Audit Committee with an opinion on the adequacy and effectiveness of the Agency's arrangements for risk management, control and governance in respect of both Client Funds and Administration Expenditure. In addition, this opinion is reported to the Departmental Audit Committee in the Internal Audit Annual Report at year-end.

During the year it was agreed by the Audit Committee that, owing to anticipated changes being considered for the Agency arising from the Great Britain Agency's Operational Improvement Plan, some planned audits for 2005/06 would be deferred. In total 9 audits from 2005/06 were deferred.

### External Audit

The accounts have been audited by the Comptroller and Auditor General for Northern Ireland. His certificate on the Administration Accounts is on pages 34 to 35, and his certificate and report on the Client Funds Account is on pages 58 to 59, and Appendix 1 respectively.

The audit fee this year is £119,000 (2004/05 £94,000). The audit fee represents the cost for the audit of the accounts (including the Client Funds account) carried out by the Comptroller and Auditor General. There was no remuneration paid for non-audit work during the year.

So far as the Chief Executive is aware, there is no relevant audit information of which the Agency's auditors are aware. The Chief Executive has taken all steps that he ought to have taken to make him aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

### Research and Future Developments

It is the Agency's policy to keep abreast of all technical innovation, products and systems developments in the fields in which it operates.

### Fixed Assets

Details of the movements in fixed assets are set out in Note 5 to the Administration Accounts. The Agency values assets at net current replacement cost with the exception of buildings, which are valued at existing use cost.

### **Charitable Donations**

There were no charitable or political donations in the year (2004-05 no charitable or political donations).

### **Payments to suppliers**

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payment Code and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions.

Payments are normally made as specified in contracts. If there is no contractual provision or other understanding they are due to be paid within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. During the year 98% (2004-05 99%) of bills were paid within this standard.

### **Policy in relation to Disabled Employees**

The Agency follows the Northern Ireland Civil Service Code of Practice on the Employment of Disabled People. The Agency aims to ensure that disablement is not a bar to recruitment or advancement.

### **Health and Safety**

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

### **Consultation with Employees**

The Agency makes every effort to ensure that all staff are kept informed of the Agency's plans and development. The main channels of communication include a monthly magazine, office circulars and regular team briefings from which information is disseminated.

### **Equal Opportunities**

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

### **Pension Liabilities**

Present and past employees of the Agency are covered by the Principal Civil Service Pension Scheme (PCSPS) Northern Ireland, which is described in the Remuneration Report and at Note 2 to the Accounts.

### **Members Interests**

There are no significant interests held by Board members or senior management which may conflict with their management responsibilities.

### **Accounts**

The accounts are prepared in accordance with a direction given by the Department of Finance and Personnel in accordance with **Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001**.



## MANAGEMENT COMMENTARY

### BUSINESS PERFORMANCE AGAINST KEY TARGETS

#### CUSTOMERS

**We aim to provide a high quality service which meets the needs of our customers by processing more maintenance assessments, getting more money flowing more quickly and making it easier for customers to contact us when issues arise.**

The Agency continues to operate two child support schemes in parallel, the 'new' scheme, relating to cases received on or after 3 March 2003, and the 'old' scheme, relating to cases received prior to 3 March 2003.

The Agency committed to delivering a 75% increase in the number of children receiving child maintenance by March 2006. Current performance sits at 73%, an improvement of 28% on last year's performance.

At the beginning of the year, the Minister with responsibility for child support in Northern Ireland set the Agency key targets. Under the strategic partnership agreement with the Great Britain Agency, the Northern Ireland Agency also contributes to the targets which have been set for the Great Britain Agency by the Secretary of State for Work and Pensions.

The year produced some encouraging improvements in performance against targets. In Northern Ireland, for our new scheme cases, Accuracy increased to 97% and Case Compliance increased to 64%. Cash Compliance was 56%, which, although below the Agency's target of 60%, was an improved performance from the previous year.

For our Great Britain business, performance is comparable with the overall outturns reported by the Agency in Great Britain.

Performance on the Agency's old scheme cases is monitored against a number of internal targets which have been set to ensure that clients who remain on the old child support scheme, the bulk of the Agency's caseload, continue to receive an acceptable standard of service. Prudent resource management has ensured that levels of service to clients who have remained on the old scheme have been maintained.

Full details of performance against the Agency's objectives for this area for the 2005 - 2006 business year can be found at: [Annex 1](#).

## LEARNING AND GROWTH

**We aim to properly equip staff to deliver services in a professional manner by training, coaching, supporting and developing people to enable them to realise their full potential.**

In May 2005, the results of the Agency's Staff Attitude Survey were published. Members of Agency Management Board gave a commitment to staff that they would consider the findings and develop a plan of actions that would address the issues raised. Over the course of the year, a range of actions was taken to address key issues. These included a review of management training, rollout of a programme to promote effective team working, involvement of staff in a review of the Agency's *Purpose, Aim and Values*, and a series of accommodation improvements. Work has also been undertaken on workforce health and stress management which will continue into 2006/07.

Full details of performance against the Agency's objectives for this area for the 2005 - 2006 business year can be found at: [Annex 1](#).

## PROCESSES

**We aim to ensure our processes are developed, reviewed and revised to deliver equitable and fair outcomes for customers and staff.**

The Agency carried out an audit of its communication processes and a strategy for improving communication was developed. Process improvements were made to secure customer compliance and increase case and cash compliance. Some improvements were made to our Information Technology capabilities and Agency Management Board commissioned a report to identify barriers in the way of good performance against our main telephony targets. Combined, these improvements have allowed us to provide a better service to our customers.

Full details of performance against the Agency's objectives for this area for the 2005 - 2006 business year can be found at: [Annex 1](#).

## FINANCE

**We seek to secure funding to enable us to deliver a quality child support service throughout Northern Ireland and Eastern England in an efficient and cost effective way.**

The Agency succeeded in living within the allocated budget for 2005 – 2006.

Full details of performance against the Agency's objectives for this area for the 2005 - 2006 business year can be found at: [Annex 1](#).

## FORWARD LOOK

A copy of the key Ministerial and Secretary of State targets set for 2006/2007 can be found at [Annex 2](#).

## REMUNERATION REPORT

### Remuneration Policy

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

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

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

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

The remuneration of all senior civil servants is entirely performance based. Permanent Secretaries pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

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

### Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service Staff Handbook.

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

### Salary and pension entitlements

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

#### Senior Civil Servants

Officials	2005-06		2004-05	
	Salary and Allowances £'000	Benefits in kind (to nearest £100)	Salary and Allowances £'000	Benefits in kind (to nearest £100)
B McGahan	85 - 90	-	80 - 85	-
A Orr	40 - 45	-	-	-
C Matthews	30 - 35	-	25 - 30	-
M Quinn	40 - 45	-	40 - 45	-
J Forster	25 - 30	-	35 - 40	-
J Canavan	20 - 25	-	45 - 50	-
L Hurley	35 - 40	-	30 - 35	-
S Toner	30 - 35	-	30 - 35	-
J Glass	35 - 40	-	35 - 40	-
E O'Neill	30 - 35	-	30 - 35	-
D Burns	25 - 30	-	-	-
S Boyd	-	-	5 - 10	-
M Donnelly	-	-	10 - 15	-
C McCallum	-	-	15 - 20	-

#### Salary

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

#### Benefits in kind

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

## Civil Service Pensions

Officials	Accrued pension at age 60 as at 31/3/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
B Mc Gahan	30 – 35 plus lump sum of 95 – 100	0 – 2.5 plus lump sum of 5 – 7.5	539	483	33	
A Orr	10 – 15 plus lump sum of 30 - 35	0 – 2.5 plus lump sum of 2.5 – 5	128	112	12	
C Matthews	5– 10 plus lump sum of 15 - 20	0 – 2.5 plus lump sum of 0 – 2.5	65	56	6	
M Quinn	15– 20 plus lump sum of 55 – 60	0 – 2.5 plus lump sum of 2.5 – 5	312	264	25	
J Forster	15 – 20 plus lump sum of 45 – 50	0 – 2.5 plus lump sum of 0 – 2.5	217	198	19	
J Canavan	25 – 30 plus lump sum of 75 – 80	0 – 2.5 plus lump sum of 2.5 – 5	N/a – over 60	439	N/a – over 60	
L Hurley	10 – 15 plus lump sum of 35 – 40	0 – 2.5 plus lump sum of 0 – 2.5	162	139	9	
S Toner	5 – 10 plus lump sum of 20 – 25	0 – 2.5 plus lump sum of 0 – 2.5	77	66	6	
J Glass	5– 10 plus lump sum of 25 –30	0 – 2.5 plus lump sum of 0 – 2.5	107	91	9	
E O'Neill	10 – 15 plus lump sum of 30 – 35	0 – 2.5 plus lump sum of 0 – 2.5	138	122	9	
D Burns	5– 10 plus lump sum of 20 – 25	0 – 2.5 plus lump sum of 0 – 2.5	90	79	7	
S Boyd	-	-	-	33	-	-
M Donnelly	-	-	-	127	-	-
C McCallum	-	-	-	160	-	-

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

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

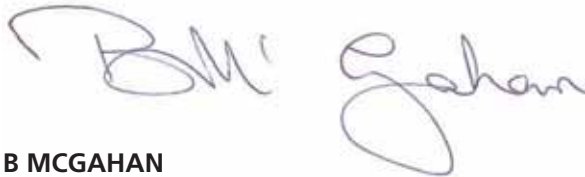
The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.gov.uk).

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A handwritten signature in blue ink, appearing to read "B. McGAhan". The signature is written in a cursive style with a large initial "B" and "M".

**B MCGAHAN**  
**CHIEF EXECUTIVE**

## ANNEX 1

## BALANCED SCORECARD 2005 - 2006

## CUSTOMERS - NORTHERN IRELAND OPERATIONS

Target	Actions	Year End Position
<b>OPERATIONAL TARGETS</b>	Increase the number of children receiving child maintenance to 75% (compared to March 2003).	<b>73%</b>
	<b>Case Compliance</b> (Excluding Maintenance Direct) <ul style="list-style-type: none"> <li>• New Scheme – 60%<sup>1</sup></li> <li>• Old Scheme – 75%</li> </ul>	<b>64%</b> <b>76%</b>
	<ul style="list-style-type: none"> <li>• New Scheme – 63%<sup>1</sup></li> </ul> (Including Maintenance Direct)	<b>67%</b>
	<b>Cash Compliance</b> <ul style="list-style-type: none"> <li>• New Scheme – 60%<sup>1</sup></li> <li>• Old Scheme – 72%</li> </ul>	<b>56%</b> <b>73%</b>
	<b>Accuracy (on the last decision made)</b> <ul style="list-style-type: none"> <li>• New Scheme – 91%</li> <li>• Old Scheme – 85%</li> </ul>	<b>97%</b> <b>97%</b>
	Establish payment arrangements for non-resident parents – 15 weeks	<b>37 weeks</b>
	Payments made to the Parent with Care (or their bank or building society) following receipt from non-resident parent – 98% within 10 working days.	<b>CSCS 99%</b> <b>CS2 86%</b>
	Resolve customer complaints or agree a resolution plan – 90% within 20 working days.	<b>77%</b>
	Respond to all Chief Executive Correspondence within 20 working days.	<b>60%</b>
	Percentage of telephone calls to be abandoned by our customers – No more than 15%.	<b>12%</b>
<b>CUSTOMER SURVEY</b>	By May 2005, develop an action plan to act on the results of the current customer survey and carry out surveys on an annual basis.	<b>Completed</b>
<b>CUSTOMER FORUM</b>	By June 2005, establish a representative customer forum, which meets regularly to identify areas for improvement.	<b>Completed</b>
<b>COMPLAINTS</b>	By December 2005, reduce by 10% the volume of complaints arising from failure to honour promises made.	<b>81% reduction was achieved</b>

<sup>1</sup>Technical issues with the information technology mean that we are unable to provide management information that we are confident is accurate for targets that relate to cases on the new computer system. Figures used to report on new scheme performance contain that proviso.



## CUSTOMERS - EASTERN BUSINESS UNIT OPERATIONS

Target	Actions	Year End Position
<b>OPERATIONAL TARGETS</b>	<b>Case Compliance</b> (Excluding Maintenance Direct) New Scheme – 78% <sup>1</sup>	<b>65%</b>
	• Old Scheme – 75%	<b>78%</b>
	• New Scheme – 83% <sup>1</sup> (Including Maintenance Direct)	<b>71%</b>
	<b>Cash Compliance</b> • New Scheme – 75% <sup>1</sup> • Old Scheme – 68%	<b>61%</b> <b>76%</b>
	<b>Accuracy</b> (on the last decision made) • New Scheme – 90% • Old Scheme – 82%	<b>75%</b> <b>85%</b>
	Payments made to the Parent with Care (or their bank or building society) following receipt from non-resident parent – 98% within 10 working days.	<b>CSCS 99%</b> <b>CS2 91%</b>
	Resolve customer complaints or agree a resolution plan – 68% within 15 working days.	<b>95%</b>
	Respond to all Chief Executive Correspondence within 20 working days.	<b>99%</b>
	Percentage of telephone calls to be abandoned by our customers – No more than 15%.	<b>9%</b>
	<b>COMPLAINTS</b>	By December 2005, reduce by 10% the volume of complaints arising from failure to honour promises made.

## LEARNING &amp; GROWTH

Target	Actions	Year End Position
<b>PERSONAL DEVELOPMENT PLANS</b>	By May 2005, Personal Development Plans will be completed for all staff.	<b>Completed</b>
<b>VISION AND VALUES</b>	By May 2005, we will review our current vision and values to ensure they support our Business Challenges.	<b>Completed</b>
<b>STAFF ATTITUDE SURVEY</b>	By June 2005, we will develop an action plan to address staff concerns identified in the staff attitude survey and the workforce health survey.	<b>Completed</b>
<b>INVESTORS IN PEOPLE</b>	By June 2005, we will seek Investors in People re-accreditation.	<b>Completed</b>
<b>STAFF DEVELOPMENT</b>	By September 2005, we will review and improve existing training packages with specific emphasis on: <ul style="list-style-type: none"> <li>• New entrant training,</li> <li>• Effective team working,</li> <li>• Coaching,</li> <li>• Managing change,</li> <li>• Industrial relations,</li> <li>• Management Development.</li> </ul>	<b>Completed</b>
<b>WORKING CONDITIONS</b>	By September 2005, we will develop an outline Business Case for improving working conditions and the environment of our buildings.	<b>Completed</b>
<b>EUROPEAN FOUNDATION QUALITY MANAGEMENT</b>	By October 2005, we will seek Quality Award re-accreditation using the European Foundation Quality Management process.	<b>Deferred</b>
<b>DRESS STANDARDS</b>	By December 2005, we will review, update and implement an agreed dress standards policy.	<b>Completed</b>
<b>RECRUITMENT PROCESS</b>	By December 2005, we will review the existing Recruitment process to ensure that at least 95% of posts are filled continuously with permanent staff.	<b>Completed</b>
<b>ABSENTEEISM</b>	By March 2006, we will reduce the levels of absenteeism using 2003/04 as the base year by: <ul style="list-style-type: none"> <li>• 7% in the average duration of long-term absence,</li> <li>• 7% in the frequency of long-term absence,</li> <li>• 5% in the frequency of short-term absence.</li> </ul>	<b>Completed Target met, awaiting figures to be validated</b>

## PROCESSES

Target	Actions	Year End Position
<b>MANAGEMENT INFORMATION</b>	By May 2005, we will develop additional management information to help monitor our business results.	<b>Completed</b>
<b>EVACUATION PROCEDURES</b>	By June 2005, we will review and update the evacuation procedures for all Northern Ireland Child Support Agency buildings.	<b>Completed</b>
<b>COMMUNICATION AUDIT</b>	By September 2005, we will carry out a communication audit and develop a strategy for improving communication.	<b>Completed</b>
<b>COMPLIANCE</b>	By November 2005, we will review and improve the processes used to secure customer compliance to increase case and cash compliance.	<b>Completed</b>
<b>INFORMATION TECHNOLOGY</b>	By December 2005, we will identify information technology capabilities and opportunities to improve performance.	<b>Completed</b>
<b>MIGRATION / CONVERSION PILOT</b>	By January 2006, subject to developments within the Great Britain Agency, commence a pilot of the migration/conversion process.	<b>Removed*</b>

\* As a result of the development and subsequent launch of the Great Britain Child Support Agency's Operational Improvement Plan during 2005/06, the planned migration / conversion pilot did not take place.

## FINANCE

Target	Actions	Year End Position
<b>AUDIT QUALIFICATION</b>	By October 2005, we will establish what is required to remove the audit qualification from the Northern Ireland Client Funds Account.	<b>Completed</b>
<b>FRAUD STRATEGY</b>	By 31 March 2006, we will review and update our fraud strategy. End date amended following Board meeting 17/11/05.	<b>Completed</b>
<b>FINANCIAL MANAGEMENT</b>	By January 2006, we will review our delegated financial management arrangements.	<b>Completed</b>
<b>UNIT COSTING</b>	By February 2006, we will carry out a unit-costing pilot within New Client Team, Belfast.	<b>Postponed until 2006/2007</b>
<b>ASSURANCE RATING</b>	By March 2006, we will achieve a substantial assurance rating on 75% of all audits carried out.	<b>Completed</b>
<b>BUDGET</b>	By March 2006, we will live within our budget allocated for the year.	<b>Completed</b>

## ANNEX 2

### BALANCED SCORECARD 2006 - 2007

#### CUSTOMERS

We will provide the level of service our customers have the right to expect from us by processing more maintenance assessments, getting more money flowing more quickly and making it easier for our customers to contact us when issues arise. Our specific targets and objectives for 2006/07 are as follows.

Strategic Objectives	Measures	Target
<ul style="list-style-type: none"> <li>To meet customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Level of customer satisfaction</li> <li>Service Standards*               <ul style="list-style-type: none"> <li>Telephony performance (Abandoned calls to the Customer Helpline)</li> <li>Payment to the Parent with Care                   <ul style="list-style-type: none"> <li>CS2</li> <li>CSCS</li> </ul> </li> <li>Resolve customer complaints or agree a resolution plan</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>60%</li> <li>&lt;15%</li> <li>90% within 10 days</li> <li>98% within 10 days</li> <li>90% of complaints resolved within 20 working days</li> </ul>
<ul style="list-style-type: none"> <li>To reduce child poverty</li> </ul>	<ul style="list-style-type: none"> <li>Number of children receiving child maintenance</li> </ul>	<ul style="list-style-type: none"> <li>65% increase from 2003</li> </ul>

\* The Agency's Service Standards are currently under review.

## PROCESSES

We will ensure that our processes are developed, reviewed and revised to deliver equitable and fair outcomes for customers and staff. Our specific objectives for 2006/07 are as follows.

Strategic Objectives	Measures	Target
<ul style="list-style-type: none"> <li>To deliver strategic programme objectives in order to improve processes</li> </ul>	<ul style="list-style-type: none"> <li>Progress against Operational Improvement Project Plan</li> <li>Service Standards*               <ul style="list-style-type: none"> <li>increase the proportion of applications reaching maintenance calculations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Meet project milestones</li> <li>50%</li> </ul>

## ORGANISATIONAL LEARNING AND GROWTH

The Agency recognises that its people make things happen and that the staff are the most important factor when it comes to delivering a quality service to customers. We will properly equip staff to deliver child support services in a professional, sensitive and effective manner by training, coaching, supporting and developing people to enable them to realise their full potential. Our specific objectives for 2006/07 are as follows.

Strategic Objectives	Measures	Target
<ul style="list-style-type: none"> <li>To have the right people in the right place at the right time</li> </ul>	<ul style="list-style-type: none"> <li>Staff numbers</li> <li>Levels of absenteeism</li> </ul>	<ul style="list-style-type: none"> <li>No less than 95% of complement</li> <li>10% reduction on 2005/06 levels</li> </ul>
<ul style="list-style-type: none"> <li>To ensure that staff develop and maintain the right skills, values and behaviours to achieve business results</li> </ul>	<ul style="list-style-type: none"> <li>Personal Development plans completed (excluding those on long term sick and career break)</li> <li>Personal Development Plan needs met</li> <li>Investors in People</li> </ul>	<ul style="list-style-type: none"> <li>100% by 31/05/06</li> <li>100% by 31/03/07</li> <li>retention of Investors in People recognition</li> </ul>
<ul style="list-style-type: none"> <li>To ensure staff feel valued, motivated and involved</li> </ul>	<ul style="list-style-type: none"> <li>Levels of staff satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>50% increase on 2004/05 levels</li> </ul>

## RESULTS

Through the achievement of challenging results we will deliver an improved service to our customers, getting more money flowing more quickly. Our specific targets for 2006/07 are as follows.

Strategic Objectives	Measures	Target
<ul style="list-style-type: none"> <li>To collect the right money from right people at right time</li> </ul>	<ul style="list-style-type: none"> <li>Cash Value Accuracy (to the nearest penny on the last decision made)               <ul style="list-style-type: none"> <li>- New Scheme</li> <li>- Old Scheme</li> </ul> </li> <li>Case Compliance (excluding maintenance direct)               <ul style="list-style-type: none"> <li>- New Scheme</li> <li>- Old Scheme (including maintenance direct)</li> <li>- New Scheme</li> </ul> </li> <li>Cash Compliance               <ul style="list-style-type: none"> <li>- New Scheme</li> <li>- Old Scheme</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>92%</li> <li>90%</li> <li>62%</li> <li>75%</li> <li>65%</li> <li>60%</li> <li>72%</li> </ul>
<ul style="list-style-type: none"> <li>To promote Maintenance Direct arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Level of Maintenance Direct</li> </ul>	<ul style="list-style-type: none"> <li>Increase by 10% for old and new scheme</li> </ul>
<ul style="list-style-type: none"> <li>To provide value for money to the taxpayer</li> </ul>	<ul style="list-style-type: none"> <li>Cost of collections</li> </ul>	<ul style="list-style-type: none"> <li>Establish baseline by September 2006</li> </ul>

## ANNEX 3

### RECRUITMENT INFORMATION

Recruitment information to be published in accordance with Appendices A - C of the Recruitment Code in respect of the period 1 April 2005 to 31 March 2006.

#### 1. Recruitment System

The Child Support Agency adheres to the recruitment principles on selection of staff on merit and fair and open competition in accordance with the Civil Service Commissioners' Recruitment Code. Systems are in place to ensure that selection for appointments are made in accordance with Sections 2 and 3 of the Code.

Recruitment Service currently carries out recruitment of all Child Support Agency staff, including temporary staff.

#### 2. Appointments Under The Provision Of Regulation 3

- a) There were no appointments on secondment.
- b) There were no transfers of persons into the Child Support Agency where the person held a situation in any other Civil Service of the Crown.
- c) There were no transfers of persons into the Child Support Agency where the person was employed on functions being transferred to the Crown.
- d) No one of proven distinction was appointed where there were exceptional reasons, justified by the needs of the Northern Ireland Civil Service
- e) There were no appointments made under Government initiatives/programmes.

#### 3. Statistical Summaries

A summary of the details relating to the occupational group is shown below and include:

- i) The category of appointment;
- ii) The number of applications;
- iii) The number of appointments; and
- iv) The analysis by the Equal Opportunities variables of gender, community background and disability.

The tables below show that no competitions were run by the Child Support Agency during the period 01 April 2005 – 31 March 2006. There were, however, ten appointments made from Competition No. 50/01/04/01/CA which was run during the previous year.



EXTENT AND TYPE OF RECRUITMENT CARRIED OUT IN THE  
NORTHERN IRELAND CHILD SUPPORT AGENCY PERIOD COVERED:  
1 APRIL 2005 – 31 MARCH 2006

TOTAL NUMBER OF APPLICATIONS BY OCCUPATIONAL GROUP

Occupational Group	Total No	Gender				Community Background						Declared Disabled	
		M	%	F	%	P	%	RC	%	ND	%	%	
<b>Non-Industrial</b>													
General Service Grades	0	0		0		0		0		0		0	
Secretarial Grades													
Scientific Grades													
Technology Grades													
Legal Grades													
Computer Grades													
Other Prof & Tech Grades													
Centralised Services Grades													
<b>Industrial</b>													
Supervisory													
Craft													
Non-craft													
<b>TOTAL</b>	0	0		0		0		0		0		0	

CLASSIFICATION OF APPLICATIONS BY APPOINTMENT TYPE

Appointment Type	Total No	Gender				Community Background						Declared Disabled	
		M	%	F	%	P	%	RC	%	ND	%	%	
<b>Non-Industrial</b>													
Permanent													
Fixed Term													
Temporary/Casual	0	0		0		0		0		0		0	
<b>Industrial</b>													
Permanent													
Fixed Term													
Temporary/Casual													
<b>TOTAL</b>	0	0		0		0		0		0		0	

TOTAL NUMBER OF APPOINTMENTS BY OCCUPATIONAL GROUP

Occupational Group	Total No	Gender				Community Background						Declared Disabled	
		M	%	F	%	P	%	RC	%	ND	%		%
<b>Non-Industrial</b>													
General Service Grades	10	3	30	7	70	5	50	5	50	0	0	0	0
Secretarial Grades													
Scientific Grades													
Technology Grades													
Legal Grades													
Computer Grades													
Other Prof & Tech Grades													
Centralised Services Grades													
<b>Industrial</b>													
Supervisory													
Craft													
Non-craft													
<b>TOTAL</b>	10	3	30	7	70	5	50	5	50	0	0	0	0

APPOINTMENT TYPE

Appointment Type	Total No	Gender				Community Background						Declared Disabled	
		M	%	F	%	P	%	RC	%	ND	%		%
<b>Non-Industrial</b>													
Permanent													
Fixed Term													
Temporary/Casual	10	3	30	7	70	5	50	5	50	0	0	0	0
<b>Industrial</b>													
Permanent													
Fixed Term													
Temporary/Casual													
<b>TOTAL</b>	10	3	30	7	70	5	50	5	50	0	0	0	0



## PART 2

### CHILD SUPPORT AGENCY (Northern Ireland)

Accounts for the Year Ended  
31 March 2006

## ADMINISTRATION ACCOUNT

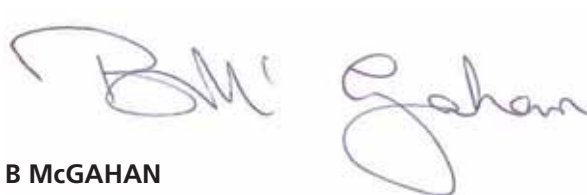
### Statement of Agency's and Chief Executive's Responsibilities

Under **Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001**, the Department of Finance and Personnel has directed the Child Support Agency to prepare a statement of accounts for each financial year 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 Agency's state of affairs at the year-end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required 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 that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer for the Department for Social Development has appointed the Chief Executive of the Northern Ireland Child Support Agency as Accounting Officer for the Agency. The Chief Executive's relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Financial Reporting Manual issued by the Department of Finance and Personnel.



**B McGAHAN**  
Chief Executive  
28 June 2006

## Administration Account

### Statement on Internal Control

#### 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Agency policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible.

There are four key organisational elements which support the delivery of corporate governance in the Agency:

- Agency Board meetings, which cover operational issues, strategic issues and risks
- Agency Audit Committee
- Joint Standards Committee on Decision Making
- Child Support Reforms project meetings

I discuss the key risks to the delivery of the Child Support Agency's objectives with the Permanent Secretary of the Department for Social Development on a regular basis.

In addition to formal quarterly briefings sent to the Minister showing progress against targets and updates on the Child Support Reforms, other updates are provided and meetings take place as and when required.

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

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with guidance issued by the Department of Finance and Personnel.

#### 3. Capacity to handle risk

The Agency has established a Risk Management Framework, which includes risk mitigation and reporting procedures, to ensure that risks are identified and managed at the appropriate level. This has been reinforced across the Agency with senior managers fully trained in this methodology. Risk identification is a fundamental part of the Agency planning process.

The Department for Social Development's Internal Audit, which operates to the Government Internal Audit Standards, uses the Agency's risk register to formulate its audit plan. This involves examining the risk management process in place to ensure it is effective and that it includes all of the key risks facing the Agency in achieving its corporate objectives. The Audit Committee meets twice yearly to discuss the risk register and to review outstanding audit recommendations. These meetings provide a platform for exchanging information and sharing best practice. The Accounting Officer is Chairman of the Audit Committee. The Audit Committee considers

progress against the Audit Plan, audit findings and the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control.

#### 4. The risk and control framework

The Agency has implemented a risk management process and continues to use it to regularly identify, allocate ownership for, prioritise, review and control risks at all levels within the Agency. The Agency's risk appetite is determined by assessing and prioritising each risk and focusing on those risks that, if they materialise, will have an adverse impact on the operations of the Agency. This approach takes account of the likelihood of a risk materialising and the impact on the Agency's operations and its customers, and the need to manage it accordingly. The following evidence demonstrates how the risk and control framework is embedded within the Agency:

- the Agency's Corporate Governance Framework, including;
  - o Agency Board meetings deal with:
    - all matters of performance monitoring, manpower planning, resource allocation, accountability and governance.
    - the development of strategy, business planning, quality improvement and innovation, including the financial, personnel and other resource implications of matters under discussion.
    - the Northern Ireland/Eastern Business Unit risk register and the Agency related risks from the Department for Social Development corporate risk register.
  - o Agency Audit Committee, which derives its authority from the Chief Executive and supports the Accounting Officer by offering objective advice on issues concerning risk, control and governance. A number of independent guests (Head of Internal Audit, Great Britain Child Support Agency Head of Internal Audit and Northern Ireland Audit Office) are invited to the Agency Audit Committee
- a Corporate Plan for 2006/07 that sets the Public Service Agreement objectives, and monthly monitoring against targets, capacity plans and ministerial targets;
- procedures for the identification, control and management of risks, including;
  - o a risk register which is reviewed every 2 months,
  - o the allocation of risk ownership,
  - o the development of risk mitigation plans,
  - o embedding risk management across all activities, and
  - o an assurance chain consisting of monthly assurance statements to me, underpinned by evidenced lower level management checks and performance data.
- the involvement of the Department for Social Development's Internal Audit which operates to Government Internal Audit Standards and which provide me with:
  - o an annual audit plan based on the Agency's risk management process, including its risk register,
  - o regular internal audit reports on individual areas of the business, and
  - o an overall annual audit assurance report.

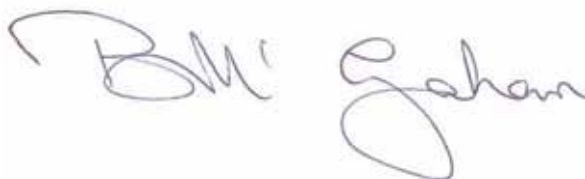
- an internal follow-up system, to ensure that internal and external audit recommendations are implemented;
- the setting of Agency financial targets and their dis-aggregation to lower management (via Resource co-ordinators);
- internal controls, including segregation of duties and controls over the operation of computer systems;
- compliance with specific regulations and procedures laid down either externally or centrally, including security, data protection, health and safety, government accounting and legal requirements; and
- documented procedures including the Finance Manual.

#### 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The Audit Committee meets twice a year to discuss outstanding audit recommendations regarding internal controls. The Audit Committee considers progress against the Audit Plan, audit findings and the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control. The Risk Register is reviewed and discussed by Agency Management on an ongoing basis.

During the year it was agreed by the Audit Committee that, owing to anticipated changes being considered for the Agency arising from the Great Britain Agency's Operational Improvement Plan, some planned audits for 2005/06 would be deferred. In total 9 audits from 2005/06 were deferred.

My review has confirmed that there are sound controls over Administration expenditure within the Agency. This was reflected in the fact that the Agency was given substantial assurance by Internal Audit in respect of their various audits involving the Administration Account.



**B McGAHAN**  
*Chief Executive*  
28 June 2006



**NORTHERN IRELAND CHILD SUPPORT AGENCY**

**ADMINISTRATION ACCOUNT**

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS AND THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Northern Ireland Child Support Agency for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

**Respective responsibilities of the Agency, the Chief Executive and Auditor**

The Agency and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel's directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 31 to 33 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

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

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinion

In my opinion:

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

I have no observations to make on these financial statements.



JM Dowdall CB  
Comptroller and Auditor General  
30th June 2006

Northern Ireland Audit Office  
106 University Street  
BELFAST BT7 1EU

**"The maintenance and integrity of the Child Support Agency's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website."**

**Administration Account**  
**Operating Cost Statement**  
**for the year ended 31 March 2006**

	Note	2005-06 £'000	2004-05 £'000
Operating income	1.6	<u>9</u>	<u>8</u>
Expenditure:			
Staff costs	2	(9,836)	(9,115)
Depreciation	5	(292)	(282)
Other operating costs	3	<u>(6,029)</u>	<u>(5,540)</u>
		<u>(16,157)</u>	<u>(14,937)</u>
Net cost of operations before interest on capital		(16,148)	(14,929)
Interest on capital employed	1.8	<u>(77)</u>	<u>(117)</u>
Net cost of operations		<u>(16,225)</u>	<u>(15,046)</u>

The notes on pages 40 to 51 form part of the Accounts.

Administration Account

Statement of Recognised Gains and Losses  
for the year ended 31 March 2006

	Note	2005-06 £'000	2004-05 £'000
Net gain/(loss) on revaluation of tangible fixed assets	10.2	<u>(15)</u>	<u>34</u>

The notes on pages 40 to 51 form part of the Accounts.

## Administration Account

## Balance Sheet as at 31st March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Fixed assets			
Tangible assets	5	2,355	2,433
Debtors falling due after more than one year	7.2	655	847
Current assets:			
Bank	6	44	0
Debtors falling due within one year	7.1	552	557
Current liabilities:			
Creditors: amounts falling due within one year	8	<u>(2,785)</u>	<u>(655)</u>
Net current liabilities		—	<u>(98)</u>
Total assets less total liabilities		<u>821</u>	<u>3,182</u>
Taxpayers Equity			
General Fund	10.1	<u>(348)</u>	1,928
Revaluation Reserve	10.2	<u>1,169</u>	<u>1,254</u>
		<u>821</u>	<u>3,182</u>

The notes on pages 40 to 51 form part of the Accounts.

  
**B McGAHAN**  
 Chief Executive  
 28 June 2006

<b>Administration Account</b>		
<b>Cash Flow Statement</b>		
<b>for year ended 31 March 2006</b>		
	2005-06	2004-05
	£'000	£'000
<b>Net cash outflow from operating activities</b>	<b>(12,747)</b>	<b>(13,836)</b>
<b>Capital expenditure and financial investment</b>	<b>(285)</b>	<b>(79)</b>
<b>Financing from the Consolidated Fund</b>	<b><u>13,076</u></b>	<b><u>13,915</u></b>
<b>Increase/(Decrease) in cash in the period</b>	<b><u>44</u></b>	<b><u>0</u></b>
<b>Reconciliation of operating cost to operating cash flows</b>		
Net Operating Cost	<b>(16,225)</b>	<b>(15,046)</b>
Adjust for non-cash transactions (see note 11.1)	<b>1,103</b>	<b>1,090</b>
Adjust for movement in working capital other than cash (see note 11.2)	<b><u>2,375</u></b>	<b><u>120</u></b>
<b>Net cash outflow from operating activities</b>	<b><u>(12,747)</u></b>	<b><u>(13,836)</u></b>
<b>Analysis of capital expenditure and financial investment</b>		
Purchase of fixed assets (see note 5)	<b>(285)</b>	<b>(79)</b>
<b>Net cash outflow from investing activities</b>	<b><u>(285)</u></b>	<b><u>(79)</u></b>
<b>Analysis of financing</b>		
From Consolidated Fund	<b>13,120</b>	<b>13,915</b>
(Increase)/Decrease in cash	<b><u>(44)</u></b>	<b><u>0</u></b>
<b>Net cash inflow from financing (note 11.3)</b>	<b><u>13,076</u></b>	<b><u>13,915</u></b>

The notes on pages 40 to 51 form part of the Accounts.

## NOTES TO THE ACCOUNTS

### 1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2005-06 Financial Reporting Manual issued by the Department of Finance and Personnel (DFP). The Accounting policies contained in the Financial Reporting Manual follow UK Generally Accepted Accounting Practice for companies to the extent that it is meaningful and appropriate to the public sector. Where the Financial Reporting Manual 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 accounting policies, adopted by the Agency are described below and these have been applied consistently in dealing with items considered material in relation to the financial statements.

#### 1.1 Accounting Convention

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

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

#### 1.2 Tangible Fixed Assets

Leasehold building refurbishment costs have been stated at current cost using professional valuations by the Valuation and Land Agency (VLA) each year. The Valuations were carried out by members of the Royal Institute of Chartered Surveyors (RICS) in accordance with procedures laid out in the RICS Appraisal and Valuation Manual. Other tangible assets have been stated at current cost using appropriate indices provided by the Office of National Statistics. The minimum level of capitalisation of a fixed tangible asset is £1,000 with the exception of personal computers and printers which are capitalised irrespective of cost, and computer software which has a threshold of £5,000.

The Agency does not own any land or buildings however leasehold building refurbishment costs for Great Northern Tower and Royston House have been capitalised.

As the Northern Ireland Child Support Agency and the Belfast Child Support Agency Centre are co-located, assets in shared use are split in the proportion of 22% Northern Ireland and 78% Great Britain with effect from 1<sup>st</sup> August 2005 (prior to 1<sup>st</sup> August 2005 20% Northern Ireland and 80% Great Britain).

### 1.3 Depreciation

Depreciation is provided at rates calculated to write off the valuation of leasehold building refurbishment costs & other tangible fixed assets by equal instalments over their estimated useful lives. Lives are in the following ranges:

Leasehold building refurbishments	10 to 25 years
Computer Equipment	3 to 5 years
Furniture & Fittings	7 to 10 years
Office Machinery	5 years

The leasehold refurbishment costs have been capitalised and will be depreciated over the period of the leases of the buildings.

### 1.4 VAT

All items in these accounts are exclusive of VAT.

### 1.5 Stocks

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

### 1.6 Operating Income

Operating income relates directly to the operating activities of the Agency. It principally comprises the reimbursement of costs.

In previous years the income figure consisted of fees invoiced for the provision of services in the period and also for fees due in prior periods but not yet invoiced. The charging of fees was suspended from 18 April 1995 and the re-implementation of fees has been deferred.

### 1.7 Administration and Programme Expenditure

The Operating Cost Statement is analysed by administration costs only. Administration costs reflect the costs of funding the Agency as defined under the Administration Cost Control Regime, together with associated operating income. Income is analysed in the notes between that which, under the Regime, is allowed to be offset against gross administration costs in determining the outturn against the Administration Cost Limit, and that operating income which is not. The Agency has no programme costs.

### 1.8 Capital Charge

A charge, reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated at the government's standard rate of 3.5% in real terms on all assets less liabilities.

### 1.9 Pensions

Present and past employees are covered by the provision of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the Scheme is a defined benefits scheme, liability for payment of future benefits is a charge to the Scheme. The Agency meets the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis.



### **1.10 Early Departure Costs**

The Agency is required to account for the cost of paying pensions of employees who retire early from the date of their retirement until they reach normal pensionable age.

Since the implementation of the Northern Ireland Resource Accounting Manual the Agency provides in full for the cost of meeting pensions up to the normal retirement age in respect of early retirement programmes in the year. The total costs of these programmes are recognised in the year the announcement is made.

### **1.11 Cash and bank balances**

Due to funding requirements, it is Departmental policy to hold the main operational bank accounts, including those used by the Agency, centrally. However this is the first year that inter-departmental balances have been included in the Agency Accounts. This inter-departmental balance is the Agency's share of the Departmental bank balance, and is shown within creditors at Note 8. For 2004-05 no inter-departmental balance was shown separately in the Agency Accounts. The Departmental bank balance was disclosed in the Departmental Resource Accounts. The Agency also has a separate bank account, which is used solely by the Agency for contingency purposes. This is the first year that this bank balance is being included in the Agency Accounts.

### **1.12 Leases**

Leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

## 2. STAFF NUMBERS AND RELATED COSTS

### Staff costs

#### A. Staff Costs consist of

	2005-06			2004-05
	£'000	£'000	£'000	£'000
	Total,	Permanently employed staff	Others	Total
Wages and Salaries	8,080	7,984	96	7,753
Social Security Costs	497	492	5	474
Other Pension Costs	1,259	1,259	0	888
<b>Total</b>	<b>9,836</b>	<b>9,735</b>	<b>101</b>	<b>9,115</b>

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but the Child Support Agency is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details can be found in the PCSPS(NI) resource accounts.

For 2005-06 normal employer contributions of £1,256,870 were payable to the PCSPS (NI) (2004-05 £887,963) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership account, a stakeholder pension with an employer contribution. Employer's contributions of £975 (2004-05 £89) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2004-05 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £104, 0.8 per cent (2004-05 £17, 0.8 per cent of pensionable pay), of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2004-05 £nil). Contributions prepaid at that date were £nil (2004-05 £nil).

Five persons (2004-05 six persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £5,724 (2004-05 £8,310)

**Average number of persons employed**

B. The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

	2005-06 No.	2004-05 No.
Permanent Staff	467	457
Others	<u>6</u>	<u>8</u>
	<u>473</u>	<u>465</u>

**3. Other Operating Costs****3.1 Operating Costs**

	2005-06 £'000	2004-05 £'000
<b>Staff Related Costs</b>	<b>206</b>	<b>277</b>
Accommodation	1,241	660
Printing & Stationery	182	112
Facilities Management	367	352
Management Consultancy	0	0
Postage	30	22
Telecommunications	57	68
Special Payments (see note below)	276	241
Bank Charges	31	34
Miscellaneous	138	129
Notional Costs (Note 3.2)	726	676
ITSA Charges	2,767	2,954
Profit/Loss on disposal of assets	2	2
Impairments	<u>6</u>	<u>13</u>
	<u>6,029</u>	<u>5,540</u>

Note: £276,000 (2004-05 £241,000) relates to payments made in 681 (2004-05 559) cases in total. Special payments include payments to Non Resident Parents for reimbursement of maintenance totalling £148,000 (2004-05 £134,000) in 192 (2004-05 194) cases (see Note 2 of the Client Funds Account).

### 3.2 Notional Costs

Chargeable services provided to CSA(NI) without the transfer of cash include:

	2005-06	2004-05
	£'000	£'000
<b><u>COSTS INCURRED BY DSD</u></b>		
Social Security Agency	167	157
OTHER SERVICES	301	278
<b><u>COSTS INCURRED BY OTHER DEPTS</u></b>		
DHSSPS	12	11
DFP	121	131
AUDIT FEE *	119	94
Other	<u>6</u>	<u>5</u>
	<b><u>726</u></b>	<b><u>676</u></b>

\* The audit fee represents the cost for the audit of the financial statements (including the Client Funds account) carried out by the Comptroller and Auditor General. There was no remuneration paid for non-audit work during the year.

### 4. Provision for Bad Debt

The provision had been made to allow for the potential non-payments of fees (See Note 7). The movements on the provision are as follows:

	2005-06	2004-05
	£'000	£'000
Balance as at 1 April 2005	132	134
Decrease in the provision	<u>(7)</u>	<u>(2)</u>
Balance as at 31 March 2006	<b><u>125</u></b>	<b><u>132</u></b>

## 5. Tangible Fixed Assets

	Building Refurbish- ment	Computer Equipment and Software	Furniture & Fittings	Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>COST OR VALUATION</b>					
At 1 April 2005	4,380	581	280	60	5,301
Additions at Cost	0	89	148	0	237
Disposals at Cost	0	(5)	(3)	0	(8)
Revaluation	(55)	(24)	8	(1)	(72)
<b>At 31 March 2006</b>	<b>4,325</b>	<b>641</b>	<b>433</b>	<b>59</b>	<b>5,458</b>
<b>DEPRECIATION</b>					
At 1 April 2005	2,255	448	125	40	2,868
Amount provided in year	181	67	34	10	292
Disposals	0	(4)	(2)	0	(6)
Revaluation	(37)	(18)	4	0	(51)
<b>At 31 March 2006</b>	<b>2,399</b>	<b>493</b>	<b>161</b>	<b>50</b>	<b>3,103</b>
<b>NET BOOK VALUE</b>					
<b>At 31 March 2006</b>	<b>1,926</b>	<b>148</b>	<b>272</b>	<b>9</b>	<b>2,355</b>
At 31 March 2005	2,125	133	155	20	2,433

## Analysis of capital expenditure

	2005-06 £'000	2004-05 £'000
Additions per Fixed Asset note	237	128
Opening Balance Adjustment	0	0
Opening Fixed Asset Accrual	49	0
<b>Closing Fixed Asset Accrual</b>	<b>(1)</b>	<b>(49)</b>
Total Cash Payments per Cashflow Statement	<b>285</b>	<b>79</b>

**Note:**

Building refurbishments are valued at existing use value. The aim of this is to provide consistency and give a fairer presentation of the organisation's financial statements.

Building refurbishments due to be valued in the year, were valued on 31<sup>st</sup> March 2006 on the basis of existing use value by the Valuation and Lands Agency.

The market value of building refurbishments is £nil (2004-05 £nil) a difference of £1,926,000 (2004-05 £2,125,000) when compared to the existing use value.

**6 Bank**

	2005-06 £'000	2004-05 £'000
Administration bank balance	<u>44</u>	<u>0</u>
	<u>44</u>	<u>0</u>

The bank account is being brought in to the Agency Accounts for the first time in 2005/06. Previously this bank balance was consolidated within the Departmental Resource Accounts.

**7 Debtors****7.1 Amounts falling due within one year**

	2005-06 £'000	2004-05 £'000
Trade Debtors - Fees	0	0
Prepayments and accrued income	<u>552</u>	<u>557</u>
	<u>552</u>	<u>557</u>

Trade Debtors Fees is shown net of a £125,000 provision (2004-05 £132,000).  
(See Note 4)

Prepayments and accrued income include suspense account balances of £321,460.

**7.2 Amounts falling due after more than one year**

	2005-06 £'000	2004-05 £'000
Prepayments and accrued income	<u>655</u>	<u>847</u>

**8. Creditors**

	2005-06 £'000	2004-05 £'000
Accruals and deferred income	2,304	637
Inter-Departmental balance	447	
Consolidated Fund extra receipts due to be paid to the Department (see note 8.1)	<u>34</u>	<u>18</u>
<b>Total Creditors</b>	<b><u>2,785</u></b>	<b><u>655</u></b>

Note: The accruals include £695 (2004-05 £48,882) in respect of additions to computer equipment.

**8.1 Consolidated Fund Extra Receipts**

Consolidated Fund extra receipts of £34,216 are amounts recovered which are not authorised to be used to offset expenditure and are due to be paid to the Department.

**9. Early Retirement Costs**

The Agency had no early retirements in 2005-06 (2004-05 £nil). There has been no charge to the Operating Cost Statement (2004-05 £nil).

**10. Reconciliation of Movement in Reserves and Government Funding****10.1 General Fund**

	Note	2005-06 £'000	2004-05 £'000
<b>BALANCE AT 1 APRIL 2005</b>		1,928	2,236
TRANSFERRED FROM OPERATING COST STATEMENT		(16,225)	(15,046)
NET CASH INFLOW FROM FINANCING 2005-2006	11.3	13,076	13,915
TRANSFER FROM REVALUATION RESERVE		70	30
NOTIONAL INTEREST	1.8	77	117
OTHER NON-CASH COSTS	3.2	<u>726</u>	<u>676</u>
<b>BALANCE AT 31 MARCH 2006</b>		<b><u>(348)</u></b>	<b><u>1,928</u></b>

**10.2 Revaluation Reserve**

	2005-06 £'000	2004-05 £'000
<b>BALANCE AT 1 APRIL 2005</b>	<b>1,254</b>	1,250
Arising on revaluation during the period	<b>(48)</b>	(1,167)
Charge for backlog depreciation	<b>33</b>	1,201
Transfer to General Fund	<b>(70)</b>	<u>(30)</u>
<b>BALANCE AT 31 MARCH 2006</b>	<b><u>1,169</u></b>	<u>1,254</u>

**11. Analysis of Cash Flows****11.1 Non Cash Transactions**

	2005-06 £'000	2004-05 £'000
Interest on Capital Employed	<b>77</b>	117
Depreciation	<b>292</b>	282
Notional Costs	<b>726</b>	676
Loss on Disposal of Assets	<b>2</b>	2
Impairment	<b><u>6</u></b>	<u>13</u>
	<b><u>1,103</u></b>	<u>1,090</u>

**11.2 Movements in Working Capital other than Cash**

	2005-06 £'000	2004-05 £'000
(Increase)/Decrease in debtors	<b>197</b>	(127)
Increase/(Decrease) in creditors	<b><u>2,178</u></b>	<u>247</u>
	<b><u>2,375</u></b>	<u>120</u>



**11.3 Reconciliation of Financing**

	2005-06 £'000	2004-05 £'000
DSD Resource Account	13,085	13,923
Accruing Resources	<u>(9)</u>	<u>(8)</u>
Net Cash Inflow from Financing	<u>13,076</u>	<u>13,915</u>

**12. Operating Lease Commitments**

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

	2005-06 £'000	2004-05 £'000
<b>Land &amp; Buildings</b>		
Expiry within one year	0	0
Expiry within two to five years	0	0
Expiry thereafter	<u>331</u>	<u>301</u>
	<u>331</u>	<u>301</u>

**13. Capital Commitments**

There are no capital expenditure commitments at 31 March 2006 (2004-05 £nil)

**14. Contingent Liabilities**

From April 1995 some debt has been deferred and will not be recoverable from clients provided certain conditions have been met. This could result in the Agency taking over such debt from persons with care. The maximum potential liability at 31 March 2006 is £9,000 (2004-05 £18,000) subject to all cases meeting the criteria. To date only £194,000 (2004-05 £189,000) has been paid out, and as a result it is deemed too soon to predict with any accuracy, the amount which may be compensated and therefore no provision has been made in the accounts this year.

There are 25 Industrial Tribunal cases which are being dealt with as at the 31<sup>st</sup> March 2006 and the Agency may be liable to pay compensation depending on the decision made. The estimated potential liability is less than £17,000 (2004-05 £20,000).

There are 5 outstanding Health and Safety litigation cases as at 31 March 2006. The estimated potential liability is less than £15,000 (2004-05 £10,000).

## 15. Related Party Transactions

The Child Support Agency is an executive agency of the Department for Social Development (DSD).

The Department is regarded as a related party. During the year, the Child Support Agency has had a number of material transactions with the Department, and with other entities for which the Department is regarded as the parent department viz: Social Security Agency and Information Technology Group.

In addition the Child Support Agency has had a number of material transactions with other Government Departments and other central government bodies. Most of these transactions have been with the Department of Health and Social Services and Public Safety, Department of Finance and Personnel (NI) and the Department for Work and Pensions (GB).

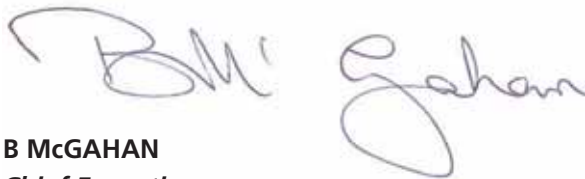
None of the Board members, members of the key management staff or other related parties has undertaken any material transactions with the Child Support Agency during the year.

## CLIENT FUNDS ACCOUNT 2005-06

### Statement of Agency's and Chief Executive'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 Child Support Agency to prepare a statement of accounts for the financial year ended 31 March 2006 in the form and on the basis set out in the Accounts Direction. The Client Funds Account is prepared on a cash basis and must properly present the receipts and payments for the financial year, and the balance at the year end.

The Accounting Officer for the Department for Social Development has designated the Chief Executive of the Northern Ireland Child Support Agency as Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Financial Reporting Manual, issued by the Department of Finance and Personnel.



**B McGAHAN**  
*Chief Executive*  
28 June 2006

## Client Funds Account

### Statement on Internal Control

#### 1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Agency policies, aims and objectives, whilst safeguarding client funds for which I am personally responsible.

There are four key organisational elements, which support the delivery of corporate governance in the Agency:

- Agency Board meetings, which cover operational issues, strategic issues and risks
- Agency Audit Committee
- Joint Standards Committee on Decision Making
- Child Support Reforms project meetings

I discuss the key risks to the delivery of the Child Support Agency's objectives with the Permanent Secretary of the Department for Social Development on a regular basis.

In addition to formal quarterly briefings sent to the Minister showing progress against targets and updates on the Child Support Reforms, other updates are provided and meetings take place as and when required.

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

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and accords with guidance issued by the Department of Finance and Personnel.

#### 3. Capacity to handle risk

The Agency has established a Risk Management Framework, which includes risk mitigation and reporting procedures, to ensure that risks are identified and managed at the appropriate level. This has been reinforced across the Agency with senior managers fully trained in this methodology. Risk identification is a fundamental part of the Agency planning process.

The Department for Social Development's Internal Audit, which operates to the Government Internal Audit Standards, uses the Agency's risk register to formulate its audit plan. This involves

examining the risk management process in place to ensure it is effective and that it includes all of the key risks facing the Agency in achieving its corporate objectives. The Audit Committee meets twice yearly to discuss the risk register and to review outstanding audit recommendations. These meetings provide a platform for exchanging information and sharing best practice. The Accounting Officer is Chairman of the Audit Committee. The Audit Committee considers progress against the Audit Plan, audit findings and the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control.

#### 4. The risk and control framework

The Agency has implemented a risk management process and continues to use it to regularly identify, allocate ownership for, prioritise, review and control risks at all levels within the Agency. The Agency's risk appetite is determined by assessing and prioritising each risk and focusing on those risks that, if they materialise, will have an adverse impact on the operations of the Agency. This approach takes account of the likelihood of a risk materialising and the impact on the Agency's operations and its customers, and the need to manage it accordingly. The following evidence demonstrates how the risk and control framework is embedded within the Agency:

- the Agency's Corporate Governance Framework, including;
  - o Agency Board meetings deal with:
    - all matters of performance monitoring, manpower planning, resource allocation, accountability and governance.
    - the development of strategy, business planning, quality improvement and innovation, including the financial, personnel and other resource implications of matters under discussion.
    - the Northern Ireland/Eastern Business Unit risk register and the Agency related risks from the Department for Social Development corporate risk register.
  - o Agency Audit Committee, which derives its authority from the Chief Executive and supports the Accounting Officer by offering objective advice on issues concerning risk, control and governance. A number of independent guests (Head of Internal Audit, Great Britain Child Support Agency Head of Internal Audit and Northern Ireland Audit Office) are invited to the Agency Audit Committee
- a Corporate Plan for 2006/07 that sets the Public Service Agreement objectives, and monthly monitoring against targets, capacity plans and ministerial targets;
- procedures for the identification, control and management of risks, including;
  - o a risk register which is reviewed every 2 months,
  - o the allocation of risk ownership,
  - o the development of risk mitigation plans,
  - o embedding risk management across all activities, and
  - o an assurance chain consisting of monthly assurance statements to me, underpinned by evidenced lower level management checks and performance data.
- the involvement of the Department for Social Development's Internal Audit which operates to Government Internal Audit Standards and which provide me with:

- o an annual audit plan based on the Agency's risk management process, including its risk register,
  - o regular internal audit reports on individual areas of the business, and
  - o an overall annual audit assurance report.
- an internal follow-up system, to ensure that internal and external audit recommendations are implemented;
- internal controls, including segregation of duties and controls over the operation of computer systems;
- compliance with specific regulations and procedures laid down either externally or centrally, including security, data protection, health and safety, government accounting and legal requirements;
- balanced performance reporting under the PACTS system (Productivity, Accuracy, Compliance, Timeliness and Service); and
- documented procedures for key systems including the Child Support Guide (old rules) and Online Business Procedures (new rules).

## 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The Audit Committee meets twice a year to discuss outstanding audit recommendations regarding internal controls. The Audit Committee considers progress against the Audit Plan, audit findings and the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control. The Risk Register is reviewed and discussed by Agency Management on an ongoing basis.

During the year it was agreed by the Audit Committee that, owing to anticipated changes being considered for the Agency arising from the Great Britain Agency's Operational Improvement Plan, some planned audits for 2005/06 would be deferred. In total 9 audits from 2005/06 were deferred.

In examining the effectiveness of the system of internal control, undoubtedly the main area on which I have to provide assurance centres around the assessment and collection of child maintenance, firstly in relation to the old scheme, and secondly in relation to the new scheme.

In relation to the old scheme, my review has highlighted that historic areas of weakness are still present. The complexity of the formula used to calculate maintenance assessments has led to

many errors, which impact on receipts and outstanding debt balances. I also acknowledge the weaknesses of the Agency's existing Child Support Computer System (CSCS). These errors have been inherent since the inception of the Agency and resources are not available to resolve them. Instead, resources are being focused on getting the new Child Support computer system (CS2) fully operational and available for existing cases.

In relation to the new scheme cases, it has been a difficult year across the entire Agency. A number of system issues have prevented us progressing cases as quickly as had originally been anticipated. A programme of system fixes and enhancements has been agreed and it is expected that these will improve system stability and reliability. Sir David Henshaw is leading the redesign of Child Support, which will consider the longer term policy and delivery arrangements for child maintenance. He is due to report to the Secretary of State for Work and Pensions by the summer recess.

## 6. Significant internal control problems

The following areas of weaknesses were found to be common across operational areas:

- availability of system-generated checks,
- the completion of some management/supervisory checks,
- CS2 system problems (see below),
- the implementation of some Internal Audit Recommendations, and
- debt strategy (see below).

Improved management information is now being obtained from CS2. However, the operation of CS2 continues to cause the Agency significant problems, such as the number of workarounds it has to cope with and the lack of audit trail. The Agency accepts that there may be inaccuracies in the reported performance figures for new scheme cases, due to problems associated with Data Warehouse and CS2. Despite some improvements, the Agency is still some way short of providing the service it aspires to. To improve service delivery, the Great Britain Agency has developed an Operational Improvement Plan, which seeks to improve organisational performance and address many of the technical problems associated with CS2. We are currently considering our ways of working, to bring about organisational performance improvements. We will also be working with the Great Britain Agency to implement the technical improvements in Northern Ireland.

The Great Britain Agency has set out its strategy for dealing with debt in its Operational Improvement Plan. The strategy includes targets for reducing historic debt and increasing compliance. The Northern Ireland Agency will be seeking to secure improvements for its clients in line with improvements planned by the Great Britain Agency. This will include improvements in debt recording and enforcement. Detailed debt management information is currently being validated for use by the Agency. This will form the basis for the Agency's long-term debt strategy. The Agency will also be investigating the potential for debt recovery through the Social Security Agency's contract framework.

As a result of these weaknesses, Internal Audit have informed me that there is "limited assurance" on the internal controls over the Client Funds Account for 2005/06.

During the year, a programme of corrective action was undertaken, including implementation of internal and external audit recommendations.

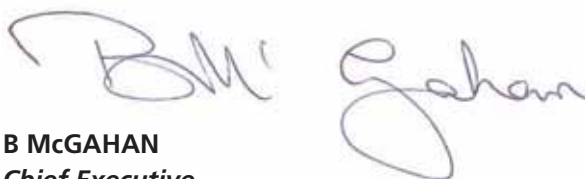
The Agency embarked on the following initiatives during the year to improve (and provide more focus on) quality and accuracy:

- to maintain accuracy in new scheme cases, 100% pre- and post-adjudication checking on all decisions. In addition, a technical checkers meeting is held monthly, which is attended by case monitoring team, and quality issues are discussed in depth;
- use of a First Payment tracking tool to help improve compliance;
- a customer satisfaction survey of new scheme customers;
- establishment of an Outreach Service in Northern Ireland and building working relationships with stakeholders, the voluntary sector and customers;
- close working with our colleagues in the Social Security Agency to resolve quality issues etc.;
- Central Registration Team continue to monitor Maintenance Assessment forms received from the Social Security Agency thereby ensuring that this work is allocated to caseworkers;
- an agreement with the Inland Revenue to provide the Agency with relevant information;
- a memorandum of understanding with the Assets Recovery Agency;
- reorganised our operating structures and some processes in New Scheme business;
- reviewed and streamlined the Northern Ireland Field Office operation;
- reviewed and streamlined the Northern Ireland Face to Face service;
- centralised and strengthened complaint handling to include full resolution by the team responding to complaints; and
- updated the service level agreement between the Child Support Agency and the Social Security Agency, including an agreement for the Social Security Agency to carry out a 20% quality check on all Child Support Agency applications and a 2% check on good cause decisions.

I will continue to monitor the initiatives and Internal Audit and Northern Ireland Audit Office recommendations to ensure that any weaknesses identified are addressed.

In addition to the above, I confirm that, during 2006-07, the Agency will be implementing the following measures to strengthen corporate governance and improve business performance:

- a new Service Level Agreement with the office of the Director of Public Prosecutions for the handling of Child Support prosecution cases;
- a customer satisfaction survey in both old and new scheme;
- a full review of the Enforcement operation and organisational structures;
- close monitoring of the developments in the Great Britain Agency as their Operational Improvement Plan is implemented, and determining our response to all such developments.



**B McGAHAN**  
*Chief Executive*  
28 June 2006



## CLIENT FUNDS ACCOUNT

### THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS AND THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the account of the Northern Ireland Child Support Agency Client Funds for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. The account comprises the Receipts and Payments Account, the Statement of Balances and the related notes. This account has been prepared on a cash basis and in the form directed by the Department of Finance of Personnel.

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

The Agency and Chief Executive are responsible for preparing the Annual Report and account in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the account in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the account properly presents the receipts and payments of the Northern Ireland Child Support Agency Client Funds and whether the account has been properly prepared in accordance with Department of Finance and Personnel's directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001 and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the account, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities is not disclosed.

I review whether the statement on pages 53 to 57 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited account. This other information comprises only the Chief Executives Report, the Directors Report, the Management Commentary, the unaudited part of the Remuneration Report, and Annexes to the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the account. My responsibilities do not extend to any other information.

#### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the account. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the account.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the account are free from material misstatement, whether caused by fraud or error and that in all material respects the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the account.

#### Qualified opinion

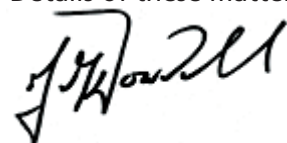
As explained in paragraphs 2.8 to 2.13 of my report, my audit found that certain receipts from non-resident parents (for subsequent payment over to persons with care or to the Department for Social Development) were for wrong amounts, mainly because of errors in the underlying maintenance assessments. I estimate that receipts from non-resident parents included in the Client Funds Account as £13.2 million are misstated due to overpayments amounting to £25,512 and underpayments amounting to £347,015.

Also, as explained in paragraphs 2.14 to 2.18 of my report, my audit found that balances outstanding in respect of full maintenance assessments and maintenance calculations at 1 April 2005 and 31 March 2006 and the movements in 2005-06 were misstated due to errors in the underlying maintenance assessments and incorrect adjustments. I estimate that the balance outstanding in respect of full maintenance assessments and maintenance calculations, shown in Note 6.1 as £19.2 million, includes, in aggregate, overstatements of £1,853,046 and understatements of £1,773,344. I also estimate that balances in respect of interim maintenance assessments and default maintenance decisions, shown in Note 6.2 as £7.1 million, include in aggregate, overstatements of £678,558 and understatements of £254,735.

In my opinion, except for the adjustments needed to correct;

- (i) the misstatements in receipts and payments arising from incorrect amounts being paid by non-resident parents; and
- (ii) the overstatements and understatements in the maintenance balances outstanding shown in Notes 6.1 and 6.2:
  - a. the account properly presents the receipts and payments for the year ended 31 March 2006 and the balances at that date;
  - b. the account has been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
  - c. in all material respects the financial transactions conforms to the authorities which govern them.

Details of these matters are set out in my report on pages 68 to 76.



J M Dowdall CB  
Comptroller and Auditor General  
30th June 2006

Northern Ireland Audit Office  
106 University Street  
Belfast BT7 1EU

**“The maintenance and integrity of the Child Support Agency’s website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.”**

Client Funds Account

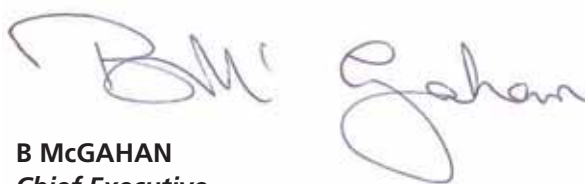
Receipts and Payments Account  
for the year ended 31 March 2006

	Note	2005/06 £'000	2004/05 £'000
Receipts	2	13,174	12,941
Bank Interest	3	<u>20</u>	<u>18</u>
		<b>13,194</b>	<b>12,959</b>
Less Payments to :			
persons with care		9,786	9,187
the Department		2,859	3,463
the Agency (CSA Fees)		0	0
Great Britain Child Support Agency		179	0
non-resident parents		<u>338</u>	<u>299</u>
Total payments		<b>13,162</b>	<b>12,949</b>
Net receipts		32	10
Balance as at 1 April 2005		407	397
Balance as at 31 March 2006	4	<u>439</u>	<u>407</u>

Statement of Balances at 31 March 2006

	Note	2005/06 £'000	2004/05 £'000
Funds awaiting clearance	4	165	158
Cleared funds awaiting distribution	4	<u>274</u>	<u>249</u>
Balance on bank account		<u>439</u>	<u>407</u>

The notes on pages 61 to 67 form part of these accounts.



B McGAHAN  
Chief Executive  
28 June 2006

## NOTES TO THE ACCOUNT

### 1. Accounting Basis

This account has been prepared on a cash basis and in the form directed by the Department of Finance and Personnel.

### 2. Receipts from Clients

Receipts from clients relate to child maintenance and fees collected by the Agency for payment, respectively, to Persons With Care of children or to the Department (maintenance) and to the Agency (fees).

The maintenance received quoted in the Client Funds Receipts and Payments Account is different from the receipts total shown in movements on amounts and balances outstanding (see Note 6.1). This is due, for example, to timing differences and the exclusion of non-maintenance receipts in the amounts shown in the notes.

Money is also received from the Department to refund Non-Resident Parents in cases where an overpayment has been made, and the amount is irrecoverable. This totalled £148,000 (2004/05 - £134,000) and is disclosed in Note 3.1 to the Administration Account.

### 3. Interest Received and Paid

The Agency receives interest on balances deposited in the Client Funds bank account. Persons With Care or Non-Resident Parents may, in specific circumstances, be entitled to receive interest payments when the Agency, through its own fault, has delayed paying over maintenance received/ refunds. Of the £20,364 (2004/05: £18,114) interest received, £879 (2004/05: £1,033) was paid to Persons With Care/Non-Resident Parents. The balance of £19,485 (2004/05: £17,081) was paid to the Department.

### 4. Balances on the Client Funds Account

The balances relate to sums collected and interest received which had not been paid over at year end.

### 5. Amounts Outstanding at 31 March 2006

5.1 Under the Accounts Direction issued by the Department of Finance and Personnel the Agency is required to disclose the balances outstanding from Non-Resident Parents under maintenance assessments at the year end, together with movements in the balances outstanding between the beginning and end of the year.

5.2 There are four types of maintenance assessments:

- full maintenance assessments – where the old rules apply and both the person with care and the non-resident parent provide the Agency with all the information requested;
- interim maintenance assessments – where the old rules apply and the Agency is unable to obtain sufficient information to make a full maintenance assessment;

- maintenance calculation – where the new rules apply and both the person with care and the non-resident parent provide the Agency with all the information requested;
- default maintenance decision – where the new rules apply and the Agency is unable to obtain sufficient information to make a maintenance calculation.

5.3 The majority of interim maintenance assessments are set at punitive rates to encourage compliance and take no account of Non-Resident Parent's ability to pay. Experience to date has shown that most of the amounts outstanding under this type of assessment are unlikely to be collectable.

5.4 Where the Agency is in contact with a Non-Resident Parent, for whom an interim maintenance assessment or default maintenance decision has been imposed, a proportion of the amount outstanding may prove collectable. This is particularly likely where the Non-Resident Parent is co-operating and the Agency is able to replace the interim maintenance assessment with a full maintenance assessment or the default maintenance decision with a maintenance calculation.

Where an interim maintenance assessment has been imposed on or after 18 April 1995, the subsequent full maintenance assessment will be back dated and will replace the interim maintenance assessment. Any amounts collected under the interim maintenance assessment will be offset against the full maintenance assessment debt due.

5.5 A default maintenance decision is calculated from a weekly average wage and is not set at punitive rates.

#### **Collectability of Amounts Outstanding**

5.6 The Agency undertook a debt analysis exercise to establish the collectability of debt outstanding as at 31 March 2006. This analysis established three categories for the total debt i.e. collectable, possibly uncollectable and probably uncollectable. Similar debt analysis exercises have been undertaken for old scheme debt in previous years. The classification criteria used to analyse the debt into the three categories for 2005/06 has been updated to reflect improved management information around the recoverability of debt. The results of the debt analysis exercise are shown in Note 6.4.

##### **Collectable**

Amount outstanding which the debt analysis exercise revealed is likely to be collected. This takes in to account factors such as regular contact with the Non-Resident Parent, where regular payments are being made or an arrears agreement has been set up.

##### **Possibly uncollectable**

Amount outstanding which the debt analysis exercise revealed some uncertainty over whether it will be collected. The amounts are considered doubtful where, for example, payments have been infrequent or it has not been possible to establish an arrears agreement or impose a Deduction of Earnings Order.

Some of the possibly uncollectable amounts have been written down in year. A provision has been calculated, assessing the difficulty of collecting each element of the debt. Where it is likely to be difficult to collect, due for example to unsuccessful attempts to trace a client for over two years, a proportion of these amounts has been written down

**Probably uncollectable**

Amount outstanding which the debt analysis exercise revealed is likely to be very difficult to collect due, for example, to the lack of contact with, or the personal circumstances of, the Non-Resident Parent. In many of these cases the Agency has suspended recovery action until such time as the individuals' circumstances change.

The probably uncollectable amounts have been written down in year.

5.7 The amounts outstanding on individual cases remain and continue to be due in full. The Agency will continue to consider any new facts brought to its attention regarding collectability and has not waived its discretion to take action in the future to collect any amount outstanding which becomes collectable.

**6.0 Debt Position at 31 March 2006**

The debt disclosure has been changed from previous years to show the consolidated position of both old and new scheme debt held on the old CSCS and new CS2 computer systems.

## 6.1 Debt balances as at 31 March 2006

	Maintenance Calculation/Full Maintenance Assessments		Default Maintenance Decision/Interim Maintenance Assessments		Consolidated Debt Position		
	New scheme £000	Old scheme £000	New scheme £000	Old scheme £000	New Scheme £000	Old scheme £000	Total £000
Opening debt balances on:							
CSCS system	-	26,597	-	16,083	-	42,680	42,680
CS2 system	2,647	7,201	197	2,900	2,844	7,454	10,298
<b>Balance as at 1 April 2005</b>	<b>2,647</b>	<b>33,798</b>	<b>197</b>	<b>18,983</b>	<b>2,844</b>	<b>50,134</b>	<b>52,978</b>
Reclassification of prior year debt	-	1,451	-	-1,451	-	-	-
<b>Revised Opening balance</b>	<b>2,647</b>	<b>35,249</b>	<b>197</b>	<b>17,532</b>	<b>2,844</b>	<b>50,134</b>	<b>52,978</b>
Amounts due on:							
CSCS system	0	7,961	0	-683	0	7,278	7,278
CS2 system	5,773	9,385	258	1,310	6,031	4,922	10,953
<b>Gross Debt</b>	<b>8,420</b>	<b>52,595</b>	<b>455</b>	<b>18,159</b>	<b>8,875</b>	<b>62,334</b>	<b>71,209</b>
Less:							
Maintenance Receipts	-3,247	-12,280	-10	-268	-3,257	-9,301	-12,558
Agency payments of deferred debt	-	-5	-	-	-	-5	-5
<b>Headline Debt</b>	<b>5,173</b>	<b>40,310</b>	<b>445</b>	<b>17,891</b>	<b>5,618</b>	<b>53,028</b>	<b>58,646</b>
Less: Provision for probably uncollectable from launch including in year movements	-666	-19,690	-143	-10,116	-809	-29,140	-29,949
Less: Provision for possibly uncollectable from launch including in year movements	-237	-1,426	-28	-940	-265	-2,129	-2,394
<b>Debt as at 31 March 2006</b>	<b>4,270</b>	<b>19,194</b>	<b>274</b>	<b>6,835</b>	<b>4,544</b>	<b>21,759</b>	<b>26,303</b>

**NOTE:** Due to the change in criteria for analysing debt, the provision for probably uncollectable new scheme debt, and the provision for possibly uncollectable debt being introduced in 2005/06, the figures above are not directly comparable to the previous year's figures.

6.2 Debt Balances as at 31 March 2005

	Maintenance Calculation/Full Maintenance Assessments		Default Maintenance Decision/Interim Maintenance Assessments		Consolidated Debt Position		
	New scheme	Old scheme	New scheme	Old scheme	New Scheme	Old scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Opening debt balances on:							
CSCS system	-	7,020	-	348	-	7,368	7,368
CS2 system	254	876	9	721	263	1,334	1,597
<b>Balance as at 1 April 2004</b>	<b>254</b>	<b>7,896</b>	<b>9</b>	<b>1,060</b>	<b>263</b>	<b>8,702</b>	<b>8,965</b>
Addition of probably uncollectable provision from launch (legacy system)	0	20,105	0	15,400	0	35,505	35,505
<b>Revised opening balances on:</b>							
CSCS system	-	27,125	-	15,748	-	42,873	42,873
CS2 system	254	876	9	721	263	1,334	1,597
Amounts due on:							
CSCS system	0	8,454	0	660	0	9,114	9,114
CS2 system	4,450	9,592	197	2,211	4,647	7,353	12,000
<b>Gross Debt</b>	<b>4,704</b>	<b>46,047</b>	<b>206</b>	<b>19,331</b>	<b>4,910</b>	<b>60,674</b>	<b>65,584</b>
Less: Maintenance Receipts	-2,057	-12,238	-9	-348	-2,066	-10,529	-12,595
Agency payments of deferred debt	-	-11	-	-	-	-11	-11
<b>Headline Debt</b>	<b>2,647</b>	<b>33,798</b>	<b>197</b>	<b>18,983</b>	<b>2,844</b>	<b>50,134</b>	<b>52,978</b>
Less: Provision for probably uncollectable from launch including in year movements	0	-22,381	0	-16,550	0	-38,931	-38,931
<b>Debt as at 31 March 2005</b>	<b>2,647</b>	<b>11,417</b>	<b>197</b>	<b>2,433</b>	<b>2,844</b>	<b>11,203</b>	<b>14,047</b>



6.3 The following notes explain movement from the Gross Debt position to Reported Debt.

**(i) Gross Debt**

Gross debt is the total debt managed by the Agency and is made up of:

- initial amounts comprising of all money due from the date the maintenance enquiry form is issued until the assessment is made for old scheme cases;
- movements in outstanding debt balances. The movements include amounts that have:
  - o migrated from the Child Support Computer System (CSCS) to the new computer system, CS2;
  - o amounts previously classified as interim maintenance assessments;
  - o outstanding maintenance transferred to and from the Child Support Agency Great Britain.
- And reduced by adjustments arising from cancelled or terminated assessments or where the liability has been reduced, for example because there has been a direct payment between parties which is offset against the maintenance due.

The opening balances show the gross debt position as at 1<sup>st</sup> April 2005.

**(ii) Headline Debt**

The Headline Debt figure is the amount of debt carried by the Agency after receipts of maintenance and deferred debt have been deducted. The total of receipts received is £13.2 million (2004/05 – total £12.9 million).

From April 1995 the Agency has been able to defer some debt indefinitely, provided non-resident parents meet certain conditions on payment of regular maintenance and the remaining debt outstanding. In these cases, the Agency can settle the deferred debts with the persons with care out of money provided by the Exchequer and take over the ownership of the remaining debts. During 2005/06 the Agency paid £5,000 (2004/05, £11,000). These payments match the deferred debt payments shown at Note 13 to the Administration Accounts and are accounted for on an accruals basis.

**(iii) Provisions**

The Agency has reviewed the debt balances through the debt analysis exercise. This is the first year that new scheme debt balances have been reviewed through the debt analysis exercise. In line with current accounting practice, provisions have been calculated against the elements of debt, which are not deemed to be collectable, and the amounts have been written down.

In these accounts a provision against possibly uncollectable debt has been introduced. In previous years a provision of 0% has been applied but following further analysis the Agency has determined that part of this debt is not collectable and an additional amount has been written down.

The amounts in these provisions are excluded from the year end debt balance, but continue to be due in full.

**(iv) Debt balance**

The debt balance is the position as at 31 March 2006 and is an assessment of the collectability of the debt due to the Agency.

Included within the debt balance of £26.3m at 31<sup>st</sup> March 2006, is an adjustment of £2.6m in respect of previous years.

## 6.4 Analysis of Collectability of balances outstanding (see Note 5.6)

Analysis of Debt		Old Scheme		New Scheme	
		31 March 2006	31 March 2005	31 March 2006	31 March 2005
Collectable	Value of Debt % of debt	£12.3 m 56%	£6.3m 56%	£2.3m 51%	£2.8m 100%
Possibly uncollectable	Value of Debt % of debt	£9.4m 43%	£4.9m 44%	£2.2m 49%	- -
Other Debt Movements	Value of Debt % of debt	£0.1 m 1%	- -	- -	- -
Total debt		£21.8m	£11.2m	£4.5m	£2.8m

# APPENDIX 1

## Report by the Comptroller and Auditor General

### Executive Summary

#### Introduction

1. The Northern Ireland Child Support Agency is an Executive Agency of the Department for Social Development.
2. The Agency's Client Funds Account shows that £13.2 million was received from non-resident parents during 2005-06, £9.8 million was paid to persons with care and £2.9 million was paid to the Department for Social Development, where persons with care are in receipt of income support. At 31 March 2006, the value of maintenance balances outstanding from non-resident parents, and considered collectable, totalled £26.3 million.
3. I am required under section 11(3) of the Government Resources and Accounts Act (Northern Ireland) 2001 to examine and certify the Northern Ireland Child Support Agency Client Funds Account. This report brings to Parliament's attention significant matters arising from my examination of the Account for 2005-06.

#### Audit Examination of the Client Funds Account for the year 2005-06

4. I have qualified my audit opinion on the Agency's Client Funds Account for 2005-06 because, following my examination of a representative sample of cases, 6 per cent of receipts from non-resident parents, 48 per cent of full maintenance and maintenance calculation debt balances and 20 per cent of interim maintenance and default maintenance debt balances were for the wrong amount. This is mainly as a result of errors in the underlying maintenance assessments and incorrect adjustments to customers' accounts.
5. Based on the 2005-06 results, I estimate that overpayments by non-resident parents amounted to £25,512, while underpayments amounted to £347,015. I also estimate that at 31 March 2006 recoverable debt relating to full maintenance assessments and maintenance calculations contained overstatements of £1,853,046 and understatements of £1,773,344, and debts relating to interim maintenance assessments and default maintenance decisions contained overstatements of £678,558 and understatements of £254,735.

#### Current and future developments in the Child Support Agency

6. Child Support Reforms that implemented simplified rules (known as "new scheme" rules) relating to maintenance assessments were introduced in March 2003 after some delay because the testing of the new computer system had not been satisfactorily completed. These Reforms were intended to result in more accurate and timely maintenance assessments and improved compliance with maintenance obligations. However the continuing functionality deficiencies with the new computer system has delayed the transfer of all cases to the new computer system and to the simplified new scheme rules. The bulk of the Agency's caseload remains based on the old scheme rules and therefore the impact is that the reduced error rates and improved service delivery expected from the Reforms have still not yet materialised. Part 3 of my report refers to the Agency's current action plan to address its operational problems.

## Part 1 : Background to the Agency

### Introduction

1.1 The Northern Ireland Child Support Agency is an Executive Agency of the Department for Social Development. It was established in April 1993 to operate a system of child maintenance introduced by the Child Support (Northern Ireland) Order 1991 and implement changes within the Child Support (Northern Ireland) Order 1995 and the Child Support, Pensions and Social Security Act (Northern Ireland) 2000. The principal activities of the Agency are as follows:

- **establishing child support** – contacting non-resident parents, arranging the resolution of paternity disputes and calculating child maintenance;
- **establishing regular payment patterns** – notifying non-resident parents and persons with care of the amount of maintenance to be paid and arranging a payment method between both, monitoring payments to ensure that a pattern of regular payments is established, collecting and relaying payments at the request of either party, pursuing late or missed payments promptly and taking action to recover arrears using the full range of the Agency's enforcement powers; and
- **maintaining child support** - by keeping assessments up to date when a change is reported, preparing and presenting appeals to be heard by the Appeals Service and liaising with other Government Departments, Agencies and public bodies.

1.2 Prior to the introduction of the Child Support Reforms, which became effective from the 3<sup>rd</sup> of March 2003, child maintenance was calculated on the basis of formulae laid down in legislation. This report refers to maintenance assessments under the legislation as 'old scheme' and assessments calculated under the Child Support Reforms as 'new scheme'. The official terminology for cases under 'old scheme' is initial and final maintenance assessments and those cases under 'new scheme' are default maintenance decisions and maintenance calculations. Note 5.2 to the Client Funds Account gives wider definitions to these terms.

1.3 The anticipated conversion of all old scheme cases into new scheme has not yet been achieved due to the ongoing problems with the stability and functionality of the new computer system. Therefore the majority of transactions in the CSA Client Funds Account for 2005-06 are based on the old scheme. The old scheme calculations were inherently complex as it was necessary to obtain personal details of both the non-resident parent and the person with whom the child mainly resides (the 'person with care'). This involved gathering information on income, housing costs and other expenses from customers who may have been reluctant to provide it. Consequently there was significant risk of error occurring in the assessment process. The aim of the new scheme is to substantially simplify the calculation of maintenance assessments with a view to speeding up the process and reducing the level of errors. Any new applications are assessed using the new scheme rules.

## Part 2 : Examination of the Client Funds Account

### Introduction

2.1 This part of my report outlines the form of the Client Funds Account, sets out the basis of my examination of the account, summarises the outcome of my audit of transactions and balances and explains why I have qualified my audit opinion on the Account.

### The Northern Ireland Child Support Agency's Client Funds Account

2.2 The Northern Ireland Child Support Agency's Client Funds Account is prepared on a cash basis and shows the amounts received by the Agency from non-resident parents, the maintenance subsequently paid over to persons with care and the sums paid to the Department for Social Development, where persons with care are in receipt of income support. The Agency maintains accounting records on its Child Support Computer System and on the Child Support 2 (CS2) system for individual non-resident parents. The maintenance outstanding at 31 March 2006 disclosed at notes 6.1 to the Client Funds Account is derived from the balances on these individual accounts from the two systems.

2.3 The Client Funds Account shows that during 2005-06 the Agency received £13.2 million (2004-05 £12.9 million) from non-resident parents. Based on this amount £9.8 million (2004-05 £9.1 million) was paid over to persons with care and £2.9 million (2004-05 £3.5 million) to the Department for Social Development, where persons with care are in receipt of income support. Further payments of £0.3 million (2004-05 £0.3 million) comprised refunds of overpayments to non-resident parents.

2.4 At 31 March 2006, the balance of full maintenance assessments and maintenance calculation debt outstanding totalled £19.2 million (£11.4 million at 31 March 2005) while the balance of interim maintenance assessments and default maintenance decisions debt outstanding totalled £7.1 million (£2.6 million at 31 March 2005). The balances disclosed in notes 6.1 and 6.2 in relation to full maintenance, maintenance calculations, interim maintenance and default maintenance decision amounts outstanding exclude balances that the Agency regards as probably and possibly uncollectable.

2.5 Notes 6.1 to the Account show that probably and possibly uncollectable debt has resulted in full maintenance assessment and maintenance calculation balances shown in note 6.1 being reduced by £21.1 million and interim maintenance assessment and default maintenance decision balances shown in note 6.1 being reduced by £11.2 million at 31 March 2006.

2.6 The probably and possibly uncollectable amounts relate to amounts which are likely to be very difficult to collect due, for example, to the lack of recent payments from the non-resident parent or the personal circumstances of the non-resident parent. However, the amounts outstanding on individual cases still remain due in full and the Agency continues to consider any new facts brought to its attention regarding collectability. It has not waived its discretion to take action in the future to collect any amount outstanding which becomes collectable.

## Audit Results

### Basis of Testing

2.7 I have examined representative samples of receipts from non-resident parents and maintenance debt balances. The results of these examinations allow me to confirm the existence of material error within the account but are subject to margins of statistical uncertainty. In 2005-06 my staff examined 70 receipts, 50 full maintenance assessment cases / maintenance calculations involving some 227 assessments (2004-05; 190 assessments), and 30 interim maintenance assessment cases/ default maintenance decisions involving 34 assessments (2004-05; 32 assessments).

### Receipts and Payments

2.8 From the representative sample of receipts from non-resident parents in 2005-06, I found that in 94 per cent of cases examined the receipts were correct. In 6 per cent of cases the receipts were for the wrong amount because of errors in the underlying maintenance assessments.

2.9 The Agency's independent Case Monitoring Team reported that the accuracy of the cash value of decisions made on old scheme cases in 2005-06 was 97 per cent against a target of 85 per cent. This is an increase in performance from 2004-05 where an 89 per cent accuracy rate was achieved. The accuracy performance achieved for new scheme cases was 97 per cent against a target of 91 per cent. This also represents an increase in performance where a 92 per cent accuracy rate was achieved in 2004-05 for new scheme assessments.

2.10 The Agency's method of calculating cash value accuracy was changed from 2001-02 so that only the accuracy of the last decision on an assessment is measured, rather than looking back over decision making throughout the life of the claim. My audit, on the other hand, examines the cash value of client funds received each year and subsequently paid out by the Agency, together with the amount of maintenance outstanding at the year-end. This involves examining each assessment decision over the life of the claim. Due to this difference in approach and reporting methodology the Case Monitoring Team's results are not directly comparable to my results in respect of receipts. Nevertheless, in my view, both sets of results show unacceptable levels of inaccuracy.

2.11 In my report last year I expressed concern that the targets set by the Agency in respect of cash value accuracy for 2005-06 were lower than those previously achieved. I note that the targets set for 2006-07 in respect of cash value accuracy is 90 per cent for the old scheme and 92 per cent for the new scheme. Both these targets are less than previously achieved. I asked the Agency to explain the basis for setting the targets at a reduced level. The Agency told me that the targets set for 2006-07 were higher than those set for 2005-06, were in line with those set for the Great Britain Child Support Agency and were agreed in the knowledge that the work associated with the Agency's Operational Improvement Project could adversely affect performance in the short-term.

2.12 The regular reports produced by the Case Monitoring Team are examined by the Standards Committee. The Standards Committee is chaired by an independent chairperson and reports

annually to the Agency's Chief Executive. A copy of the report is also laid in the Northern Ireland Assembly. My staff recently met with the Standards Committee Chairman to discuss our respective review and reporting methodologies and to discuss the findings of my audit and the results of the Case Monitoring Team's work during the year. This proved to be mutually beneficial.

- 2.13 The sampling techniques used in the audit have enabled me to extrapolate the results to provide an estimate of the level of monetary error in the receipts and payments account. I estimate that overpayments by non-resident parents amounted to £25,512 (0.2 per cent of total receipts) while underpayments amounted to £347,015 (2.6 per cent of total receipts). On this basis, the total estimated overpayments and underpayments are a material sum and I have therefore qualified my opinion.

### Maintenance Balances

- 2.14 I examined a representative sample of balances due from non-resident parents in 2005-06. This required verification of all transactions supporting each balance and a re-performance of the assessments, charges, transactions and adjustments made throughout the lifetime of the case. This examination identified errors in 48 per cent of full maintenance and maintenance calculation balances and 20 per cent of interim maintenance and default maintenance decision balances. However, as interim maintenance and default maintenance decision assessments are set at punitive rates which do not take into account the non-resident parent's ability to pay, these balances have been reduced by approximately 61 per cent in the Account as probably and possibly uncollectable.
- 2.15 Extrapolation of the audit results indicates that the £19.2 million shown in note 6.1 to the Account as due from non-resident parents for full maintenance assessments and maintenance calculations at 31 March 2006 is likely to include overstatement errors amounting to an estimated £1,853,046 (10 per cent of the amount outstanding) with understatement errors amounting to an estimated £1,773,344 (9 per cent of the amount outstanding).
- 2.16 Similarly, I estimate that the £7.1 million shown in note 6.1 as due for interim maintenance assessments and default maintenance decisions at 31 March 2006 is likely to include overstatement errors amounting to an estimated £678,558 (10 per cent of the amount outstanding) with understatement errors amounting to an estimated £254,735 (3.6 per cent of the amount outstanding).
- 2.17 Figure 1 below indicates an increasing level of total errors per assessment from 2003-04. In my opinion the Agency should be concerned by these results which seem to indicate a continued deterioration in performance. I asked the Agency to comment on this upward trend in the number of errors. The Agency stated that it noted this increase in the number of errors detected however it was pleased that the action taken during 2005-06 had helped reduce the value of the under and over statement errors found by audit by almost 40 per cent compared to 2004-05 and it anticipated that the implementation of life cycle and case segmentation, as part of the Operational Improvement Project, will lead to further improvements in the future.

**Figure 1 : Analysis of Percentage Errors found per number of assessments examined from 2005-06 examination of Full Maintenance / Maintenance Calculation and Initial Maintenance / Default Maintenance Decisions**

Type of Assessment	Number of Assessments Examined	Number of Errors	2005-06 % of Errors per Assessments Examined	2004-05 % of Errors per Assessments Examined	2003-04 % of Errors per Assessments Examined
FMA / MC <sup>1</sup>	227	67	29%	23%	18%
IMA / DMD <sup>2</sup>	34	8	24%	44%	19%
<b>Total</b>	<b>261</b>	<b>75</b>	<b>29%</b>	<b>26%</b>	<b>18%</b>

<sup>1</sup> FMA /MC – Final Maintenance Assessment / Maintenance Calculation

<sup>2</sup> IMA / DMD – Initial Maintenance Assessment / Default Maintenance Decisions

*Source: Northern Ireland Audit Office audit examination*

2.18 In the light of these results, I have concluded that the amounts reported in notes 6.1 and 6.2 as being due from non-resident parents at 1 April 2005 and 31 March 2006 are materially misstated. Consequently in my view these notes do not properly present the maintenance balances due and I have qualified my audit opinion.

### Debt Analysis Exercise

2.19 The Agency uses a theoretical model to determine the collectability of its debt. This model is examined by my staff to determine the validity of the assumptions made within it and it is tested by the Agency and my staff to ensure that the model has been accurately applied to establish the levels of collectable, and uncollectable debt. My staff tested a sample of cases from the debt analysis exercise to ensure that the Agency had properly classified the total debt as at 31 March 2006. I note that this reperformance of the debt analysis exercise for CS2 debt carried out by both my staff and the Agency's staff indicated a significant number of incorrect classifications in the original exercise. The Agency relies very heavily on the proper execution of the debt analysis exercise to derive the correct classification of debt and therefore I would strongly encourage the Agency to ensure the exercise is carried out accurately and is properly checked.

### Conclusion

2.20 The levels of error in receipts, payments and maintenance balances continue to be unacceptable. The implementation of the Child Support Reforms and the new computer system (CS2) has been problematic for the Agency and this continues to impact upon the accurate processing of cases both on the old and new schemes. My audit has indicated an unacceptable level of errors in 2005-06 both in monetary value and in percentage terms. I include further comments on the implementation of the Child Support Reforms and the CS2 in the final part of this report.



## Part 3: Current and future developments in the Child Support Agency

### Introduction

- 3.1. The operational and delivery difficulties within the Child Support Agency have drawn adverse media attention over the last few years. As indicated in the Executive Summary of the report the Child Support Reforms which aimed to simplify the rules for child maintenance assessments were introduced in March 2003. However the full implementation of the Reforms has been delayed by the functional difficulties with the new computer system (CS2). The Northern Ireland Child Support Agency (the Agency) is totally dependent on its Great Britain counterpart for the development, testing, implementation and maintenance of both the old and new computer systems it currently operates. The new computer system was procured under a Private Finance Initiative scheme and Electronic Data Systems Limited (EDS) was contracted to design, develop, test and implement the new system.
- 3.2. In my report last year I referred to a report produced by the House of Commons Work and Pensions Committee in January 2005 when it undertook an inquiry into the performance of the Child Support Agency in Great Britain. The Committee's report was based on the Great Britain Child Support Agency but as the two Agencies work so closely together many of the issues directly impact the Agency. This part of my report considers the current position of the Agency in respect of the implementation of the Child Support Reforms and follows up on the issues highlighted in my report last year in respect of the problems it has been having with the new computer system and some other aspects impacting upon the Agency's performance.

### GB CSA Operational Improvement Plan

- 3.3. In response to severe Parliamentary and public criticism the Great Britain Child Support Agency undertook a thorough review of its operations and a three-year Operational Improvement Plan was produced in February 2006. The objective of this plan is to dramatically change the way in which the Great Britain Child Support Agency operates with specific aims to improve services to clients, increase the amount of money collected, achieve greater compliance from non-resident parents and provide a better platform from which to implement evolving policy in the future. The Agency is in close contact with developments in Great Britain and are currently reviewing their structures and operations in light of this Operational Improvement Plan. I have been told that it is expected that many of the proposed changes will be replicated by the Agency. The actions proposed for resolving the IT problems will most certainly impact directly on the Agency. Alongside the Operational Improvement Plan, the Government announced that Sir David Henshaw would lead a project to re-design the future policy and delivery arrangements for child support. The Operational Improvement Plan is considered to be flexible enough to facilitate any implications arising from this re-design project. I acknowledge that implementation of any of these proposed changes by the Agency will take time. I intend to consider the implementation of the Operational Improvement Plan in the Agency and will report again next year on the steps taken.

### Costs of Collection

3.4. My report last year highlighted the ratio of administration cost the Agency incurred to the amount it received from non-resident parents and compared it with an equivalent ratio for the Great Britain Child Support Agency. In response to that, the Agency examined the Cost of Collection ratio and in particular why it varies from the Great Britain Child Support Agency's ratio. The Agency's findings highlighted that there were key differences between the two Agencies in terms of the profile of receipts as well as the treatment of costs in the financial statements and concluded that a detailed review of processes in place at each Agency should be carried out to ascertain whether there are more efficient ways of carrying out the key aspects of the Agency's business with a view to establishing best practice that may be adopted by both Agencies. The Agency told me that it intends to carry out further work in this area during 2006-07 and I will report further on the actions taken as a result of this in my report next year.

### Debt levels

3.5. I continue to be concerned at the rising levels of debt in the Agency. The level of collectable debt in the Agency was £26.3 million at 31st March 2006 and £14 million at 31<sup>st</sup> March 2005. In addition there is a further £32.3 million debt due at the 31<sup>st</sup> March 2006 that is deemed probably and possibly uncollectable (£38.9 million at 31<sup>st</sup> March 2005). The total debt due from non-resident parents therefore represents almost over four and a half years receipts in the NI CSA. The annual report of the Agency does not include a debt reduction target for 2006-07. The Agency told me that the Great Britain Child Support Agency has set out its strategy for dealing with debt in its Operational Improvement Plan. The Agency indicated that this strategy includes targets for reducing historic debt and increasing compliance and the Agency will be seeking to secure improvements for its clients in line with improvements planned by the Great Britain Agency. The Agency noted that these will include improvements in debt recording and enforcement. The Agency also indicated that detailed debt management information is currently being validated for use by the Agency and this will form the basis for the Agency's long-term debt strategy. Furthermore the Agency noted that it will also be investigating the potential for debt recovery through the Social Security Agency's contract framework. I note the actions being taken by the Agency in line with the Great Britain Child Support Agency to tackle the escalating levels of debt but I would strongly encourage the Agency to seek some immediate methods for decreasing the levels of debt which exist.

**Conclusion**

3.6 I recognise that the Agency is dependent upon Great Britain Child Support Agency for its information technology services, but nevertheless it is disappointing that problems with the new computer system continue to exist and that the transfer of all cases to the new system and new scheme has still not been achieved. As a result the benefits that the Child Support Reforms promised have not yet been realised and the Agency continues to under-perform. However, I welcome the developments proposed in the three- year Great Britain Operational Improvement Plan and Agency's development of an action plan to address those issues within the Operational Improvement Plan which are within its control. I will continue to monitor the issues outlined within this report and report further next year.



**J M DOWDALL CB**  
**Comptroller and Auditor General**  
30<sup>th</sup> June 2006

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