

# Annual Report & Accounts 2004-2005



S O C I A L  
S E C U R I T Y  
A G E N C Y



Social Security Agency  
Annual Report and Accounts  
For the year ended 31 March 2005

Laid before the Houses of Parliament by  
the Department for Social Development in accordance  
with Paragraph 12(2) and (4) of the Schedule to the  
Northern Ireland Act 2000 and Paragraph 36 of the  
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31 October 2005

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31 October 2005



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## Chief Executive's Foreword

Following my appointment in January 2004 this is my first full-year report.

Looking back over the past year there have been some notable achievements. However, we face a tough period ahead and we will need to keep improving if we are to satisfy the taxpayer and client alike.

For most of 2004 operating conditions were difficult because of the protracted civil service pay dispute which did not come to an end until September 2004. Despite that, however, we worked constructively with trade union colleagues to minimise impact on our most vulnerable clients and we also jointly developed a Memorandum of Understanding which will help us work together more positively in the period ahead. It is my view that, despite the pay dispute, working relationships between us are more constructive and positive than a year ago.

Operational performance across all benefit delivery has also improved. Most importantly, in Pensions Credit, Disability Living Allowance and Incapacity Benefit, all areas in which we faced major difficulties, we have recovered the position. Backlogs have been eradicated, clearance times have substantially improved and quality standards are rising. We have also implemented new procedures across the whole business to ensure that we never again get into the sorts of difficulties we experienced and which have such a poor effect on our clients.

But the year was dominated by the Spending Review and the emerging Budget 2004. It was clear from an early stage in the year that this could have a major negative effect on the Agency in terms of financial and staffing efficiencies. However, despite the gravity of these, we have seized upon the challenge we have been set in a most positive way. It has helped us refocus our resources and our efforts on our core priorities and it will help us reduce waste and overhead costs.

We intend, therefore, to deliver better quality services with reduced resources thereby honouring our commitments to taxpayers and clients alike.



Gerry Keenan  
Chief Executive

# Introduction

## The Business

The Social Security Agency's (SSA) main business is to:

- assess and pay social security benefits accurately and securely;
- give advice and information about these benefits;
- handle reviews and appeals;
- prevent and detect benefit fraud, prosecute offenders and recover any benefit which has been paid incorrectly;
- recover benefit which has been paid in compensation cases; and
- assess people's financial circumstances if they are applying for legal aid.

The Agency delivers its services to:

- the people of Northern Ireland, with a population of some 1.7 million; and
- the people living in 3 Districts within London through back-office services on behalf of the Department for Work and Pensions.

Annex 1 provides more detail of our main roles.

## Our Organisation

We employ over 6000 staff. We provide our services (see annex 1) through a network of 35 Jobs & Benefits / Social Security Offices and three community benefit offices. We have centralised benefit offices and the Castle Court Benefit Shop in Belfast City Centre. We also have two pension centres in Windsor House Belfast and Carlisle House Londonderry, as well as a number of support branches. In addition the Belfast Benefit Centre and the Paid Order Unit at Lisahally provides services for the Department for Work and Pensions in Great Britain. We work under the terms of a framework document, which sets out our relationship with the Department and with the Minister.

We are managed by an Agency Management Board which has seen some changes during the period of this annual report. Members of the Agency Management Board during the year were:

Chief Executive	Gerry Keenan
Director of Operations (from September 04)	Bryan Davis
Director of Finance and Planning	Heather Cousins
Director of Human Resources (from September 04)	Grace Nesbitt
Acting Director of Human Resources (until September 04)	Pat Magee
Director of Business Development (until March 05)	Tommy O'Reilly
Acting Director of Business Development (from March 05)	John O'Neill
Medical Director	Dr Terry Dixon
Director of Working Age (until December 04)	John Nevin
Director of Disability and Carers & Quality (until December 04)	Anne Flanagan
Director of Pensions and Benefit Security (until December 04)	David McCurry
Non-Executive Director (until June 04)	Andrew Smith

Following the restructuring of the Board in January 2005 the Agency is now managed by a Chief Executive and five Executive Directors.

In May 2005 Mr Colum Boyle was appointed the new Director for Business Development.





# Annual Report 2004-2005

## Part 1

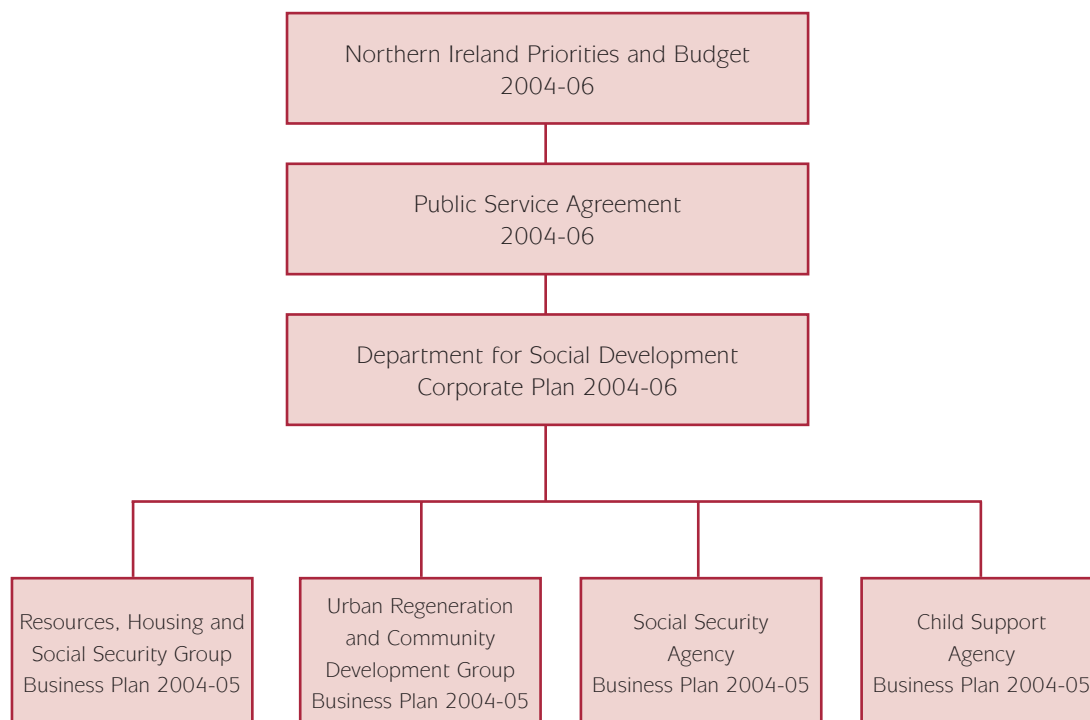


## Performance against Key Targets

At the beginning of the year the Agency produced its Business Plan for 2004-05. The Agency's Plan has its origins in the Department for Social Development's Corporate Plan taking account of the Government's Priorities and Budget for 2004-2006 which summarises the Government's main policies, priorities and budget allocations to Departments for 2004-2006.

The Department's Public Service Agreement (PSA) for 2004-2006 (published in Priorities and Budget 2004-2006) identifies planned outcomes that the Department is aiming to achieve for the citizen with the resources allocated to it. The PSA is further developed in the Departmental Business Plan for 2004-05 which sets out detailed actions and targets to deliver the PSA.

The diagram below illustrates the planning context and shows the linkages between the Priorities and Budget document and the PSA for 2004-06, the Departmental Corporate Plan and the 2004-05 Departmental Business Plan as well as the lower level plans of the Department's Groups and Agencies.



## Performance against Public Service Agreement (PSA)

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

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

This focuses on helping to reduce poverty and disadvantage among vulnerable people. To help the Agency achieve the PSA objective a number of milestones and a series of targets were set. A review of the Agency's performance in 2004-05 against its PSA milestones and targets is set out in the following tables.

## Performance against Milestones and Targets

PSA Milestone 2004-06	Target 2004-05	Result	Final Status
<b>PSA 1.2</b> By March 2006, in conjunction with the Department for Employment and Learning, extend the work focused Jobs & Benefits Service across Northern Ireland.	By March 2005 extend the new joint Jobs & Benefits service to 24 out of 35 Social Security Offices combined with Job Centres.	24	Achieved
<b>PSA 1.3</b> Jointly with the Department for Employment and Learning, achieve a 15 per cent reduction in the Jobseeker's register for each of the Jobs & Benefits Offices within three months of their go-live.	By March 2005 achieve a 15 per cent reduction in the Jobseeker's register with each of the Jobs & Benefits Offices within 3 months of their go-live date.	14-20%	Achieved
<b>PSA 1.4</b> Jointly with the Department for Employment and Learning, during 2004-05 to assist 17,500 unemployed people move closer to work. <sup>1</sup>	By March 2005 we will have supported the Department for Employment and Learning through our joint Jobs & Benefits work programme to help people move closer to work.	17,852	Achieved
<b>PSA 1.5</b> By March 2006 to promote security and independence for today's and tomorrow's pensioners by paying Pension Credit to 98,500 pensioner households.	By March 2005 pay Pension Credit to at least 92,000 pensioner households.	92,061	Achieved
<b>PSA 1.6</b> Promote financial inclusion so that by December 2005, 85 per cent of customers have their benefit paid directly into their bank or post office accounts.	By March 2005 pay 75 per cent of Social Security Agency customers their benefits directly into their bank or post office account.	93%	Achieved
<b>PSA 1.7</b> Reduce losses from fraud and error in four main benefits with a 10 per cent reduction by March 2006.  Income Support; Jobseeker's Allowance; Incapacity Benefit; and Disability Living Allowance.	By March 2005 reduce the loss from fraud and error by 5 per cent in our four main benefits:-  Income Support (4.6%) Jobseeker's Allowance (8.1%) Incapacity Benefit (7.89%) Disability Living Allowance (2.08%)	Results not available for this report	
	By March 2005 to have made an overpayment recovery of £5 million	£5,051,263	Achieved
1. The term 'move closer to work' means where unemployed people take up the offer of training in order to increase their skills in readiness for finding employment.			

## Performance against Customer Service Targets

Customer Service Targets 2004-05	Result	Final Status
<b>Financial Accuracy</b>		
By March 2005 achieve overall financial accuracy of total expenditure on our main benefits as follows:		
Income Support	98.5%	97.8%
Jobseeker's Allowance	98.5%	98.4%
Incapacity Benefit	98.5%	98.2%
Disability Living Allowance	95%	93.5%
Pension Credit	95%	95.4%
Retirement Pension	96%	99.6%
<b>Clearance times</b>		
By March 2005 achieve actual clearance times for our main benefits as follows:		
Income Support	12 days	10 days
Jobseeker's Allowance	12 days	11 days
Disability Living Allowance	60 days	57 days
Disability Living Allowance (Special Rules)	20 days	14 days
Disability Living Allowance (Appeals) <sup>1</sup>	40 days	38 days
Incapacity Benefit	28 days	40 days
Pension Credit	12 days	30 days
Retirement Pension	20 days	20 days
<b>Customer Satisfaction</b>		
Achieve an overall customer satisfaction level of	90%	79%
1. This is from the date the appeal is received by the Agency until it is sent to The Appeals Service.		

## Performance against Additional (Chief Executive) Targets

Additional (Chief Executive) Targets 2004-05	Final Status												
<b>Benefit Take-Up</b> We will promote benefit take-up to selected customer groups.	Achieved Continues into next financial year.												
<b>Modernisation and Efficiency</b> We will develop appropriate strategies to modernise customer services more efficiently.	Ongoing Continues into next financial year.												
<b>Human Resource Strategies</b> We will develop appropriate Human Resource (HR) strategies across a range of activities including organisational culture, behaviours and leadership.	Ongoing Service delivery plans are currently under development. Action will be taken to assess the HR implications.												
<b>Procurement Strategy</b> We will develop a strategy for the procurement of goods and services.	Ongoing Continues into next financial year.												
<b>Programme Protection Strategy</b> We will review the Programme Protection Strategy with specific reference to Disability Living Allowance and Incapacity Benefit.	Achieved												
<table border="0"> <tr> <td><b>Fraud</b></td> <td style="text-align: right;"><b>Targets</b></td> <td>Achieved</td> </tr> <tr> <td>Successful adjustments;</td> <td style="text-align: right;">4,000</td> <td>4,140</td> </tr> <tr> <td>Case referred for sanction;</td> <td style="text-align: right;">500</td> <td>773</td> </tr> <tr> <td>Monetary Value Adjustment estimate</td> <td style="text-align: right;">£3,500,000</td> <td>£10,301,167</td> </tr> </table>	<b>Fraud</b>	<b>Targets</b>	Achieved	Successful adjustments;	4,000	4,140	Case referred for sanction;	500	773	Monetary Value Adjustment estimate	£3,500,000	£10,301,167	
<b>Fraud</b>	<b>Targets</b>	Achieved											
Successful adjustments;	4,000	4,140											
Case referred for sanction;	500	773											
Monetary Value Adjustment estimate	£3,500,000	£10,301,167											
<b>Staff Satisfaction</b> To carry out a staff attitude survey.	Achieved												
<b>Improve Attendance</b> We will seek to reduce staff absence levels by 10%.	Not likely to be achieved (Estimated figure 8.6%).												
<b>Corporate Governance</b> We will review our Corporate Governance arrangements and develop a framework.	Achieved												
<b>Quality Improvement Tools</b> We will apply for re-accreditation of Investors in People.	Achieved												
<b>European Foundation Quality Management (EFQM)</b> We will implement the agreed priority areas for improvement identified following the re-application for the Mark of Excellence.	Achieved												

## Financial Targets

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

The table below shows how much we spent against budget for 2004-05. These exclude non-cash costs.

		<b>Budget (in £ millions)</b>	<b>Result (in £ millions)</b>
Resources Budget	For Northern Ireland Services	164.4	161.8
	For Great Britain Services	15.5	14.8
Capital Budget	For Northern Ireland Services	1.9	0.66
	For Great Britain Services	0.051	0.11
Total Budget/Result		181.8	177.3

# Business Performance

The Agency is responsible for the provision of a wide range of benefits and services to customers regardless of ethnic background, gender, age or disability. It maintains a benefits caseload for over 1.25 million individuals living in Northern Ireland (with a turnover of about 0.5 million new cases a year) and approximately 40 million payments are made each year. It provides a benefits processing service for the Department for Work and Pensions (DWP) covering approximately 120,000 London customers. The expenditure on social security benefits is over £3.2 billion a year.

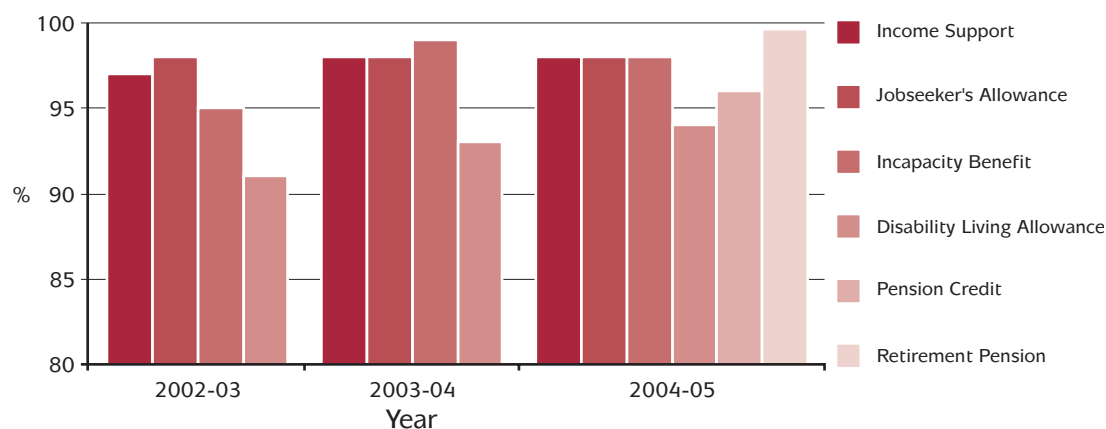
At the beginning of each business year the Agency details its key objectives and targets for the year ahead in its annual business plan. Although we missed some of our targets there were notable improvements in performance in key business areas in the 2004-05 business year. The following paragraphs highlight the Agency's performance in key operational areas.

## Performance Targets

### Financial Accuracy

At the beginning of the year performance targets were set for the key benefits. Financial Accuracy targets were introduced for the first time for Pension Credit and Retirement Pension and more challenging targets were set for Jobseeker's Allowance, Income Support and Incapacity Benefit. At the end of year the financial accuracy targets for both Pension Credit and Retirement Pension were exceeded. The financial accuracy target for Disability Living Allowance was missed by 1.5%.

**Figure 1 – Financial Accuracy Performance**



### Financial accuracy targets

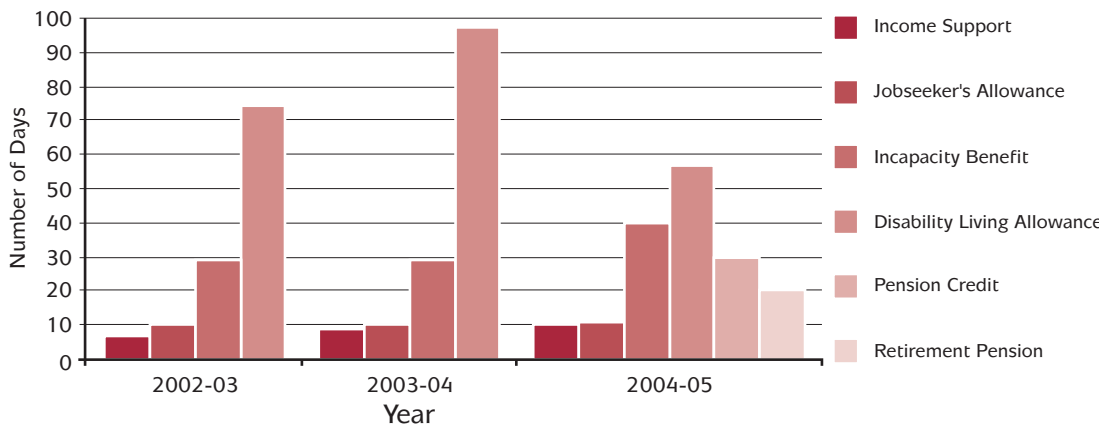
- 2002-03 – 95% Income Support, Jobseeker's Allowance, Incapacity Benefit and Disability Living Allowance
- 2003-04 – 95% Income Support, Jobseeker's Allowance, Incapacity Benefit and Disability Living Allowance
- 2004-05 – 98.5% Income Support, Jobseeker's Allowance and Incapacity Benefit  
95% Disability Living Allowance and Pension Credit  
96% Retirement Pension



## Clearance Times

Clearance times targets were set for Jobseeker's Allowance, Income Support, Incapacity Benefit, Retirement Pension, Pension Credit and Disability Living Allowance - normal claims, special rules and appeals. With the exception of Incapacity Benefit and Pension Credit all clearance times targets were met. It is worth noting the significant improvement in the clearance times for Disability Living Allowance normal claims.

**Figure 2 – Clearance Times Performance**



### Clearance Times Targets

2002-03 – Income Support and Jobseeker's Allowance (12 days)  
 Incapacity Benefit (30 days)  
 Disability Living Allowance (60 days)  
 Disability Living Allowance special rules (20 days)

2003-04 – Income Support and Jobseeker's Allowance (12 days)  
 Incapacity Benefit (30 days)  
 Disability Living Allowance (60 days)  
 Disability Living Allowance special rules (20 days)

2004-05 – Income Support, Jobseeker's Allowance and Pension Credit (12 days)  
 Incapacity Benefit (28 days)  
 Disability Living Allowance (60 days)  
 Retirement Pension (20 days)

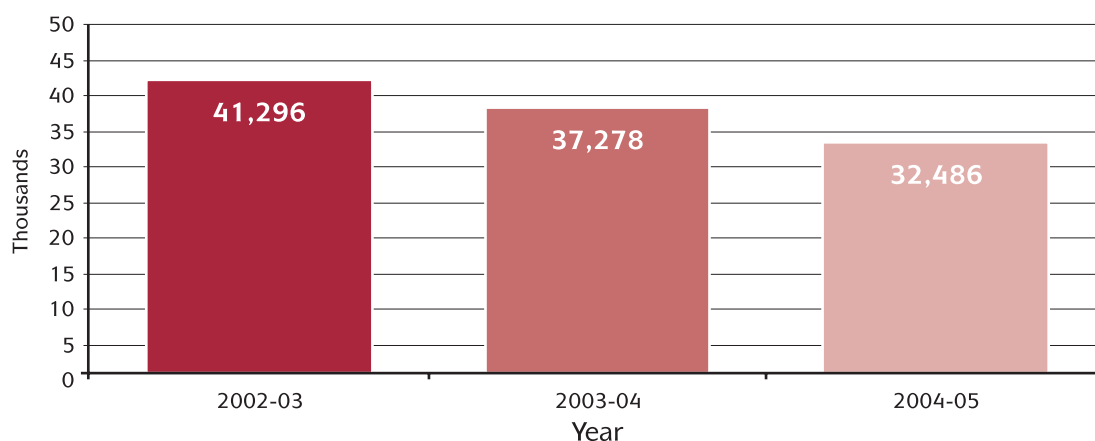
## Working Age Service

The Jobs & Benefits Project is central to the 'Working Age Service' and remained a vital part of the Welfare Reforms and Modernisation Programme throughout 2004-05. The overall aim of the Project is to place employability to the fore of the benefit system so delivering a system that supports 'Work for those who can, and security for those who cannot'.

During the period of this report a further four Jobs & Benefits offices opened and the enhanced process was extended to all 24 offices. The enhanced process delivers the Government's policy requirements by extending the service offered to customers claiming Jobseeker's Allowance to other working age customers receiving Income Support, Incapacity Benefit, Incapacity Benefit for Youth, Carer's Allowance and Bereavement Benefit.

The Jobseeker's register also continued to reduce. Since 2002-03 the overall live register has reduced by over 21%. (Figure 3 refers)

**Figure 3 – Jobseeker's Allowance average live register**



## Disability and Carers Service

After failing to meet both financial accuracy and clearance times targets in 2003-04 a recovery plan was implemented in Disability Living Allowance and performance was closely monitored throughout 2004-05. This has proven successful in relation to clearance times with the average number of days to clear claims being reduced from 95 days in 2003-04 to 57 days in 2004-05, exceeding our target by three days.

Although the financial accuracy target for Disability Living Allowance was not achieved, with an end of year financial figure of 93.5% against a target of 95%, we have since reviewed our accuracy regime, including a more focused checking approach, which should assist in our aim to achieve better results in 2005-06.

## Pension Service

The Agency's Pension Service has seen significant improvements in performance during the period of this report. Although we have made inroads to improving the accuracy and timeliness for processing applications, more work is required to ensure further improvements. Retirement Pension met the standards in the Customer Charter, achieved the clearance time targets for new claims and changes in circumstances and exceeded the financial accuracy target.

In relation to Pension Credit we experienced difficulties in dealing with the volume of telephone calls and benefit applications. A recovery plan was developed and implemented which has resulted in eradication of backlogs and significant service improvements. Telephone calls are now being answered within Customer Charter standards and a recent customer survey indicates high levels of satisfaction. The financial accuracy target for Pension Credit was also exceeded.

The Agency consulted with the voluntary sector to make claim forms for Retirement Pension and Pension Credit more user friendly. The Tele-Claims service for Retirement Pension and Pension Credit provides a quick and easy way for older people to claim as the claim forms are completed by our staff. During the year our Pension Advisers assisted customers in completing over 8,000 applications for a range of social security benefits and provided information and advice on a range of non-benefit related services.

All future pensioners in Northern Ireland can now request a forecast of their likely entitlement to State Retirement Pension and we have been working with our colleagues in the Department for Work and Pensions in Great Britain to provide this service electronically through the Government Gateway internet site. It is planned that this enhanced service will be available from October 2005.

## Fraud and Error

During 2004-05 the Agency continued its regular monitoring and measurement of the levels for fraud, error and standards of decision-making. Through our Benefit Security Strategy we are committed to providing secure, accurate and timeous benefit administration. The Strategy, reviewed in 2003, continues to drive forward initiatives to reduce levels of fraud and error in the benefit systems.

Over the past year our staff examined over 124,000 cases from the four main benefits namely - Income Support, Jobseeker's Allowance, Incapacity Benefit and Disability Living Allowance. These interventions resulted in changes to the rate of benefit in over 13,000 cases and in turn produced savings to the value of £21.5m.

The Chief Executive is also assisted by an Independent Standards Committee, chaired by an external appointee. The Standards Committee reports annually to the Chief Executive on the quality of decision-making standards. The Sixth Annual Report is to be published shortly.

All benefit branches have agreed Programme Protection Plans and these are in place to improve accuracy and identify areas for action to reduce levels of fraud and customer error. Performance against these plans continues to be monitored on a monthly basis by Agency Management Board.

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## Northern Ireland Sharing Best Practice Pilot Scheme

In 2004 the Agency was invited to be a best practice host for the Northern Ireland Sharing Best Practice Pilot Scheme which came to an end in November 2004. Two successful open-day events were held in April and November, on the themes of IT Exploitation and Partnership Working, which not only provided the opportunity to share information with other public sector organisations but also demonstrated the Agency's dedication and commitment to service improvement.

## Business Improvement in the Jobs and Benefits Office Network

As part of the process of continuous improvement throughout all Jobs & Benefits Offices, the Agency has endorsed self-assessment using the European Foundation for Quality Management (EFQM) Excellence Model. To support this drive, a joint Business Improvement Team was established with facilitators from the Agency's Quality and Change Support Unit and Training and Development Branch in the Department for Employment and Learning. During the period of this report five Jobs & Benefits Offices were assessed against the EFQM Excellence Model framework, helping staff and management identify what they were good at and where improvements were needed.

## Corporate Governance and Risk Management

The Agency implemented a Corporate Governance Framework in June 2004. The framework outlines the decision making process in the Agency and specifies the roles and responsibilities of the various committees and Directors of the Agency.

An important part of corporate governance is the need for a robust risk management system. We reviewed our Risk Management Policy and process, incorporating lessons learned from 2003-04. The policy sets out the:

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

Throughout the year we continued to:

- identify all significant risks to our business;
- provide assurance that appropriate controls were in place; and
- monitor and update the Risk Management Register regularly at Board level.

## Internal Audit Programme

The audit programme for 2004-05 approved by the Agency Audit Committee consisted of 35 assignments. Five follow up reviews and two additional recommendation database exercises were added during the year making a total of 42 assignments. By the end of March 2005 33 assignments were completed with 22 final and 11 draft reports issued. Out of the 22 final reports 12 received substantial assurance and one received full assurance. This compares to five out of 19 receiving substantial assurance in the previous year. Of the remaining nine assignments work was current in seven whilst two had been deferred. Final reports were also issued in respect of 11 assignments that were still outstanding at 31 March 2004.

The implementation of these systems allows the Chief Executive, as Accounting Officer, to sign the full Statement on Internal Control in the Annual Report and Accounts.

## Compliance with Legislation

### Equality Impact Assessments

The Agency achieved its commitment to carry out four Equality Impact Assessments by the end of 2004. This exercise involved consulting over 400 government, public and voluntary organisations. This consultation serves to assure customers that we take account of the need to promote equality of opportunities in line with section 75 of the Northern Ireland Act 1998. The reports of the assessments are called:-

- Equality in the Social Security Agency;
- Information, Advice and Assistance;
- Customer Service (Access to Social Security Benefits) policy; and
- Benefit Take-up Strategy 2004-2005.

The reports are published on our internet site [www.dsdni.gov.uk/publications](http://www.dsdni.gov.uk/publications).

### Freedom of Information

The Freedom of Information (FOI) Act came fully into force on 1 January 2005 and covers all the policy and administrative information the Agency holds. FOI training and awareness seminars were delivered to key Agency staff.

### Welfare Reform Programme

The Agency remains committed to modernising its service in order to continue to deliver the full range of social security benefits. This modernisation programme will provide a more accessible and integrated service for working age customers, pensioners and those customers with disabilities and their carers.

Throughout 2004-05, the Agency made significant progress in the implementation of its extensive Welfare Reform Programme. The Agency continued to work closely in partnership with a number of other key service providers including the Department for Employment and Learning and the Inland Revenue to ensure that services can be more closely aligned to meet customer needs and continues to see tangible results.

### Jobs & Benefits

By March 2005, in partnership with the Department for Employment and Learning, we extended the integrated work focused service for people claiming any of the six working age benefits to 24 Jobs & Benefits Offices. All Jobs & Benefits Offices have continued to achieve 15% reduction in the Jobseeker's register within 3 months of 'go-live'.

### New Tax Credit

The transfer of child dependant increases from existing benefit cases to Child Tax Credit has been postponed by HM Revenue and Customs from October 2004 to October 2005.

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### Payment Modernisation

Direct Payment became the Agency's normal method of payment during 2004-05, with all payments via orderbook ending 31 December 2004. By March 2005 93% of our customers were being paid by Direct Payment, exceeding our target of 75%. Customers who have not converted to Direct Payment are receiving payment by cheque.

### Pension Service Project

We completed the year long take-up campaign for Pension Credit in October 2004. By March 2005 92,061 households were in receipt of Pension Credit against a target of 92,000.

### New Deal

Together with the Department for Employment and Learning we successfully completed implementation of the New Deal programme and Work-focused Interviews for Lone Parents in Northern Ireland.

### **Digital Office Infrastructure**

We completed the Digital Office Infrastructure (DOI) project in July 2004. The Agency's IT infrastructure, IT equipment and servers were upgraded through the roll-out of DOI.

### **Child Support Reforms**

Due to the delay in the Child Support Agency bulk migration exercise, the Agency strand of the project was formally closed in November 2004. Plans will be resurrected once a date for the migration exercise is confirmed.

## Customer Services

Delivering the services we offer to our three main customer groups has been the focus of our work programme for 2004-05. We aim to improve the quality, accessibility and delivery of services to all our customers and continue to build closer liaisons with our colleagues in the voluntary sector.

*To support our aim, the following initiatives were undertaken during the year.*

### Benefits Advisers for the Disability and Carers Service

The Benefits Adviser pilot scheme for the Disability and Carers Service was evaluated for the period January to June 2004. The report highlighted the pilot's success, particularly for increasing benefit uptake, improving customer service and working in partnership with other organisations. The pilot has been extended while further research is undertaken as to how this role might be incorporated into the future business of the Agency and take into account the Pensions Adviser role and initiatives to promote benefit take-up.

### SSA/Macmillan Partnership

The Agency has continued to strengthen its partnership with Macmillan Cancer Relief. Macmillan launched their 'Cost of Cancer' booklet jointly with the Agency in March 2005. The booklet gives financial and benefits advice to people affected by cancer and is available on the internet site [www.macmillan.org.uk](http://www.macmillan.org.uk). Macmillan also extended their Benefits Advice Line to Northern Ireland and the helpline manager visited a number of offices in the Agency in October 2004 to gain an understanding of our business. Macmillan also provided cancer awareness training to a number of relevant Agency staff, including decision makers in Disability Living Allowance and Pensions and Benefits Advisers. Macmillan recognised our support for the voluntary and community sector by nominating the Agency for a NICVA Link Award in October 2004.

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### Translation and Interpretation Service

A phone interpretation service, supplied by Language Line, was piloted throughout front-line offices in the Agency and the Department for Employment and Learning. After a successful evaluation, the contract for Language Line was extended until January 2006. Continuing our work with the Department for Employment and Learning and involving Central Procurement Directorate, a contract was established with two service providers for face-to-face interpreting and document translation services. This service has been operational since 10 January 2005.

### Migrant Workers

The significant and sustained increase in the number of migrant workers coming to Northern Ireland in the last year has presented a particular challenge to the

Agency. We have seen higher than expected new National Insurance Number applications as well as general enquiries about benefit entitlement. The Agency has responded to ensure that non nationals have full access to the benefit system through the interpretation and language line facilities for those whose first language is not English and by having general benefit information available in a range of languages. A migrant workers forum has also been set up with a view to identifying other practical measures that can be introduced to meet the needs of migrant workers.

## Benefit Take-Up

Throughout 2004-05 we remained committed to promoting our services and increasing the take-up of social security benefits. To ensure potential customers are aware of the range of benefits we:

- hosted or participated in 90 benefit take-up roadshows in various locations throughout Northern Ireland, attended by some 6,654 customers; and
- seconded 10 members of staff to various bodies including Community Foundation Northern Ireland, Prince's Trust, Conservation Volunteers, Macmillan Cancer Relief, Oxfam, Interchange Programme and Strategic Investment Board, in an effort to build mutual understanding, increase benefit take-up and help develop our staff.

## Liaison with Voluntary/Representative Groups

The Consultative Forum is attended by Directors from the Agency, Inland Revenue and voluntary sector where strategic issues affecting how the organisations work together are discussed. The Advice Services Alliance forum is attended by local managers from the same 3 organisations and issues of an operational nature are discussed at this forum. Meetings of both forums took place throughout the year.

## Welfare Reforms Programme

During 2004-05, we carried out promotional activities to support the various Welfare Reform projects. This included:

- major television, radio, press and outdoor advertising campaigns to promote Direct Payment;
- communications about the changes implemented due to Pension Reforms and a press and TV publicity campaign for Pension Credit; and
- continued PR and advertising support for the Jobs & Benefits roll out.

## North/South Benefit Information Day

The third North/South Benefit Information Day was held in October 2004 in Letterkenny. A cross section of staff from the Department for Social and Family Affairs and Social Security Agency participated in events, workshops and discussions, along with representatives from the voluntary and community sector in Northern Ireland and the Republic of Ireland. The purpose of the event was to share information and good practice on customer service issues and build corporate and local links.

## Benefit Fraud Campaign

In March 2005, we launched a campaign to change the attitudes of the people in Northern Ireland towards benefit fraud. The 'Benefit Fraud - It's a real Rip-Off' campaign will last for 12 months and will be supported by television, press and billboard advertisements and public relations. The campaign aims to raise awareness of the seriousness of benefit fraud and to change attitudes towards its acceptability. In addition, the advertising provides a freephone number 0800 975 6050 and a website [www.stopbenefitfraudni.gov.uk](http://www.stopbenefitfraudni.gov.uk) where people can report suspected incidences of benefit fraud.



## Publications

### Plain English Gold Mark Certificate

In April 2004 the Plain English Campaign awarded the Agency a Gold Mark Certificate. This recognised that 50 of our publications had received crystal marks. We were only the second organisation in Northern Ireland to receive this award.

### Your Home, Your Benefits for Farmers

In partnership with Family Farm Development Ltd we produced an updated version of the A-Z Guide for Farmers. The guide is aimed at people in the farming and rural communities to help ensure they receive the benefits they are entitled to and are aware of the range of services and support available to them.

### Scope Award for A-Z Guide to People with Disabilities

In June 2004 the Northern Ireland Council for Voluntary Action organised the Scope Communication Awards, supported by the Belfast Telegraph. Disability Action entered our A-Z Guide for People with Disabilities for an award and we were delighted to win an award in the Accessible Information category. This is another clear indication of the success of the partnership between the Agency and the voluntary and community sector in continually striving to reach some of the most vulnerable groups in our society.

### Choices 3

The magazine for lone parents, launched in June 2004, was produced in partnership with Gingerbread Northern Ireland, the charity for lone parents. As well as highlighting the success of New Deal for Lone Parents, it contained articles that give advice and support to lone parents.

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## Am I a Carer?

In December 2004 the Agency and Belfast Carers' promoted the fourth Annual Carers' Rights day by producing a new leaflet alerting carers to the help they may be entitled to. The new leaflet called "Am I a Carer?" highlighted the need for people to recognise themselves as a carer as a vital step to getting proper support.

## Customer Charter Standards

Three customer charters containing the same generic standards were developed for our main customer groups. The Jobs & Benefits customer charter, developed in partnership with the Department for Employment and Learning, was launched in October 2004. The Pensions Service and the Disability and Carers Service charters were jointly launched in November 2004. All charters were also made available on the Internet in Arabic, Chinese, Portuguese and Spanish.

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

A list of the standards and performance in 2004-05 is shown below:

Service standard	Performance 2004-05
To acknowledge letters within 2 days of receiving them.	We acknowledged receipt of 94.2% of letters within 2 days.
To answer letters within 10 days of receiving them.	We replied to 96.3% letters within 10 days.
To see customers within 10 minutes of any appointment they made and those who do not have an appointment within 15 minutes.	We saw 98.5% of people with an appointment within 10 minutes. We saw 93.7% of people without an appointment within 15 minutes.
To answer calls to direct-dial numbers within 20 seconds.	We answered 97% of calls within the set time (We answered over 5 million calls).

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## Correspondence

During the year, we received a total of 221 written enquiries from Members of Parliament (MPs) and Members of the Assembly (MLAs) and cleared 218 (99%) of these within the deadline. This was an increase in the number of written enquires from 193 in 2003-04.

## Parliamentary Business

During the year, the Chief Executive's Office answered 37 Parliamentary Questions and provided input to a further four questions for other Departments.

We replied to all Parliamentary Questions within the required deadlines.

## Complaints Handling

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

The number of complaints received in 2004-05 was 2881 and we replied to 2506 (87%) within the 10 day target. This was an increase of 1204 on the number of complaints received in 2003-04.

A significant factor in the increase is the standardisation, across the Agency, of the methods used to record complaints, and more specifically, what constitutes a recordable complaint. The implementation of the new, harmonised complaints procedural guide was supported by the appointment of the new role of Service Improvement Manager in all offices, responsible for registering and monitoring complaints in their areas.

To improve our service to customers we have worked alongside the Department for Employment and Learning and Inland Revenue to review our complaints process and develop a harmonised complaints procedure. Staff training was carried out in June and October 2004 and after a pilot of the revised process from July to September 2004, the new guide was launched in October 2004. The guide remains under continuous review.

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

## Independent Case Examiner

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

During the year there were 24 referrals to the Examiner of which 12 progressed to full investigation. The Independent Case Examiner's Annual Report for 2004-05 was published on 7 July 2005.

### Complaints referred to Independent Case Examiner 2004-05

Complaints referred to Independent Case Examiner 2004-05	
Category	
Complaints received	24
Carried forward from previous year	2
Complaints not accepted	9
Failed to respond to enquiries	1
Cleared by early resolution	3
Cleared by full investigation	12
Number outstanding at year end	1

Customers can write to the Independent Case Examiner at:

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

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

# Our People

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

## Training and Development Unit (TDU)

During the year TDU continued to deliver technical, management, developmental and legislative courses in addition to Welfare Reform training. The Agency's planned investment in training and development for the year was £9 million, an increase of £1.5 million on the actual spend in the previous year. It was anticipated that each member of staff would receive on average 8.5 days training, representing an increase of 1.7 days on the previous year.

## Leadership

As an accredited centre for delivery of the Institute of Leadership & Management (ILM), TDU now delivers a number of ILM recognised programmes to staff at all levels from Executive Officer 2 (EO2) to Deputy Principal (DP) and was re-accredited in March 05. The ILM is the largest management awarding body in Ireland and the programmes offered aim to develop staff knowledge and skills in a range of areas. During the year, 10 staff completed the Institute of Leadership and Management Introductory Diploma and 99 staff completed the Introductory Certificate.

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## National Vocational Qualification (NVQ)

In September 2004, TDU commenced the fourth roll-out of its NVQ in Customer Service Level 2 (37 candidates) and the second roll-out of its NVQ in Administration Level 2 (12 candidates). Both roll-outs will finish in August 2005.

In addition, 14 candidates on the third Customer Service Level 2 programme achieved the full qualification, 15 staff achieved the Assessor Award and two staff achieved the Internal Verifier Award.

## Click and Learn Courseware

TDU continue to develop the 'click and learn' courseware packages. These packages are available to staff via the Intranet and allow them to train at a time best suited to them. The number of training packages available has increased from 41 in 2003-04 to 46, enabling staff to identify their own training requirements.

## Social Welfare Summer School

The fifth annual North/South Social Welfare Summer School was held in Queen's University, in August 2004. 48 students attended the summer school, with 24 places each being allocated to the Department for Social Development and the Department of Social and Family Affairs in the Republic of Ireland.

The theme of the summer school was "Diversity, Inclusion, Integration: Policy Challenges for Social Welfare".

### Masterclass Series

As a continuing response to the training needs analysis undertaken with Senior Managers in February 2003, the Department launched its second Masterclass Series, in September 2004. The primary aim of the series was to provide senior managers with a programme containing an interesting blend of interactive workshops, seminars and panel sessions led by recognised experts on a range of topics.

An interim evaluation of Masterclass was carried out in November 2004. Whilst feedback was generally positive, it also highlighted that learning and development needs may have changed since the inception of Masterclass.

Consequently, learning and development needs for Senior Managers will be considered within the context of other corporate initiatives including Senior Managers Development and Mentoring Programmes.

### Further Education

The Agency continued to support staff through the Further Education Programme, which provides financial support for course fees, books and equipment. In all, 118 staff were supported in their studies at an average cost of £181 per member of staff.

### Investors in People

In October 2004 the Agency was re-accredited as an Investor in People (IiP) for the fourth consecutive time.

The Assessor's report includes valuable benchmarking information and the Agency exceeded the Northern Ireland regional average in 11 of the 23 measures and exceeded the UK national average in 17 out of the 23 measures.

The Agency continues to ensure that IiP principles underpin training and development activities.

### National Training Awards 2004

In October 2004, TDU won a Regional Training Award at the Final of the National Training Awards 2004. This was in recognition of the work done to develop new entrant training material for Income Support and Jobseeker's Allowance, with a view to reducing the time it takes to get new staff "job ready". This was achieved by modularising the training material so that courses could be tailored to meet individual training needs. The National Training Awards noted that the new approach had received very positive feedback from staff and managers and that waiting times for training had been greatly reduced. This success has prompted the new approach to be extended to other benefits.

A full detailed account of training and development is reported in our Annual Training Report for 2004-05.

### Staff Attitude Survey

A Departmental staff attitude survey was launched on-line in February 2005. The survey sought staff views on a variety of issues including Agency business, management and the development of staff. The Northern Ireland Statistics and Research Agency (NISRA) facilitated the survey and carried out analysis. The findings from the survey will inform the Human Resource (HR) agenda over the next year.

### NICS Performance Management Framework

Managing performance is fundamental to the success of the Agency in meeting its business objectives. A new performance management framework developed for use throughout the NICS was introduced from April 2005. Awareness seminars have been delivered by TDU to all staff and a performance management helpdesk and intranet guide have been established to support the introduction of the new system.

## Industrial Relations

The Agency is committed to fostering and maintaining good industrial relations. Importantly, considering the challenges ahead, the Agency and Trade Union Side have recently agreed an Industrial Relations Memorandum of Understanding (MOU). This will be the basis for the future conduct of industrial relations and facilities arrangements for timely and constructive consultation and negotiations.

## Managing Attendance

Absenteeism remains at an unacceptably high level, and the Agency continues to focus on improving attendance. At the beginning of the year the Agency introduced new measures with tighter controls for monitoring sick absence and to exclude staff with unacceptably high absence levels from promotion. Information Seminars were delivered to 1,700 Agency line managers to reinforce the need to positively manage absenteeism, at the same time adhering to the new procedures.

Following evaluation, the Stress Enquiry Process was reintroduced in October 2004. This process not only offers an early intervention and support for staff whose absence is due to stress-related illnesses, but also provides a facility for those who are not absent from work but feel they are affected by work related stress.

## Workplace Health Improvement Programme

The Agency continues to drive and support the workplace health improvement programme. The main priorities for 2004-05 were stress management, health awareness (incorporating drug and alcohol issues) and fulfilling the actions required to meet the NICS smoking ban from January 2005. A variety of health promotion activities took place including awareness sessions delivered by Action Cancer and cardiac risk factor assessments carried out by the Chest Heart and Stroke Association. In addition, in line with NICS policy, the Agency introduced a total smoking ban in the workplace.

## Workforce Planning

The Agency continues to keep its manpower requirements under review, recruiting 396 staff and promoting 98 staff in the last year.

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## Supporting Our Community

During the year 10 Agency staff were seconded to voluntary bodies including the Prince's Trust, Interchange Programme, Northern Ireland Voluntary Trust, Macmillan Cancer Relief, Oxfam and Conservation Volunteers, making a positive contribution to their community. Also, approximately 26% of Agency staff now make monthly charitable donations, amounting to just under £11,000, through the payroll system.

## Recruitment

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

### **Equal Opportunities**

Throughout the year we continued to implement and develop Equal Opportunities policies, including addressing harassment and bullying in the workplace based on the National 'Opportunity Now' standards and delivering Equal Opportunities awareness training to 944 staff. New procedures have been introduced to ensure that all staff are aware of the Agency's Equal Opportunities Policy and Procedures, and that they understand the importance of adhering to these whilst in work.

# Looking to the Year Ahead

The thrust of Priorities and Budget 2005-2008 is to direct resources to priority frontline services particularly in health and education. However, its impact on the Agency is such that resources are severely curtailed resulting in efficiencies of over £20m and hundreds of staff over the next three years.

The Agency is committed to delivering these efficiencies but, in doing so, we will seek also to direct our available resources to vital frontline services, at the expense if necessary of all support activities and other overheads. To help us allocate resources appropriately we have identified **five key priorities**:

## Delivering Better Customer Services

Our frontline staff are responsible for assessing and paying social security benefits accurately and securely. They also provide an information and advice service to customer groups and handle reviews and appeals on decisions. Challenging financial accuracy and clearance time targets have been established across the 6 main benefit areas. The focus over the next three years will be to manage performance and continuously improve decision making and accuracy in order to meet customer expectations and reduce financial losses.

## Promoting Benefit Uptake

We need to do more to help combat poverty in Northern Ireland. We are committed to promoting benefit take-up across our three main customer groups namely, Working Age, Pensioners and Disability and Carers, to ensure that our customers get all the benefits and the services to which they are entitled.

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## Reducing Fraud and Error

The Agency is committed to ensuring that benefits do not reach people who are not entitled to them. We have been properly criticised for losses due to fraud and error and more needs to be done to secure the "benefit pipeline" and prevent leakage of funds.

## Debt Recovery

A critical objective of Agency business is to improve debt recovery. More needs to be done to reduce the number of overpayments of benefit being made, to record and account for those overpayments more accurately, and to be more effective in securing recovery when appropriate.

## Modernisation

Over the last number of years, significant work has taken place within the Agency to implement the Welfare Reform Programme in Northern Ireland. Following the closure of this first phase of reform a second modernisation phase commenced in April 2005. Across the United Kingdom, with our sister Department for Work and Pensions in Great Britain, we are now embarking on a major programme of ICT development to modernise our legacy benefit systems.





# List of Annexes

Annex 1- The Role of the Social Security Agency

Annex 2 - How to Contact Us

Annex 3 - Facts and Figures

Annex 4 - Benefit Changes in 2004-05

Annex 5 - Recruitment Information



# Annex 1

## The role of the Social Security Agency

We work within:

- the terms of our remit from the Department;
- the Government's wider social and economic policies; and
- the social security system in Great Britain.

## Social security benefits

We are responsible for managing the following social security benefits:

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

We are responsible for:

- providing information, advice and help to the public and employers;
- recovering Social Fund loans and funeral payments;
- preparing and presenting appeals to appeals tribunals;
- deciding on policy relating to social security fraud and for developing and putting in place a strategy to prevent and detect social security fraud and abuse and prosecuting offenders;
- preventing, raising and recovering overpayments of benefits;
- recovering social security payments from compensation awards; and
- working with social security authorities in other countries to decide who is entitled to benefits for those who are living, or have lived abroad.

We provide information and advice to the public on the whole range of benefits and other services, through a wide range of leaflets. Details on how to contact us are provided in Annex 2 of the document. Our Corporate Communications and Marketing Unit is responsible for managing and presenting external communications and public relations.

We are taking an active role in helping people move closer to work, for example through the range of New Deal initiatives. We also aim to make sure that those who cannot work get all the benefits to which they are entitled.

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

We are responsible for delivering the services provided by:

- the Belfast Benefit Centre; and
- the Paid Order Unit, Lisahally.

The **Belfast Benefit Centre** deals with claims for social security benefits made by people living in some areas of London. In particular, the centre deals with all aspects of registering, assessing and reviewing claims. We prepare adjudication and appeals, deal with phone enquiries and correspondence for:

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

We also reassess overpayment referrals for Debt Management for 9 London Districts.

The Benefit Centre serves offices in the London Districts of Brent, Harrow & Hillingdon, and South East London.

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

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

Due to the introduction of direct payment of benefit into personal bank accounts this unit is gradually being wound down.

## Other services

We are responsible for handling the following services:

- **Health Service charges** – we assess and issue certificates of entitlement to help with prescriptions, dental treatment, wigs and fabric supports, travel to hospital for treatment, sight tests and vouchers for glasses or contact lenses.
- **Assisted prison visits** – we assess entitlement and pay travelling expenses, to visit a partner or close relative in prison.
- **Housing and fuel costs** – we take amounts from benefits for housing and fuel costs and make payments to organisations which have given credit.
- **Legal Aid Assessment** - we assess people's financial circumstances if they are applying for legal aid.

- **We provide relevant information** to employers and other organisations to help them to decide on entitlement to, and pay, Housing Benefit, Statutory Sick Pay, Statutory Maternity Pay, Criminal Injuries Compensation, free school meals and educational clothing.
- **We provide** a National Insurance Number allocation service on behalf of the Inland Revenue.
- **We provide information** on and pay Disability Living Allowance (higher-rate mobility component) to Motability.
- **Vehicle Excise Duty Exemption** – we issue certificates of entitlement to people who receive Disability Living Allowance (higher-rate mobility component).
- **Training Allowance** – we pay training allowances to those taking part in recognised Department for Employment and Learning schemes.

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

## Annex 2

### How to Contact Us

Phone Services	Number	Opening Hours	Description
Benefit Enquiry Line (BEL)	Freephone: 0800 220 674  Minicom: 0800 2430787	Monday – Friday 9.00am – 5.00pm	General information & advice on the full range of benefits  Personal benefit calculations  Phone completion of Attendance Allowance, Disability Living Allowance & Carer's Allowance claim forms
Benefits Investigation Services (NI) Fraud Phone Line	Phone Number: 028 9054 4633 028 9054 4669 028 9054 4635  Textphone: 028 9054 4663	Monday – Friday 9.00am – 5.00pm	3 dedicated phone numbers to receive allegations of social security benefit fraud from the public  No details of caller required and confidentiality is guaranteed
National Benefit Fraud Line	Freephone: 0800 854 440  Textphone: 0800 328 0512	7am to 11pm 7 days a week	National freephone service for reporting allegations of benefit fraud
Benefit Information Service	Phone Number: 0845 605 2020 (local rates apply)	24 hours 7 days a week	The Benefit Leaflet Information Service is a 24 hour fully automated telephone service for requesting leaflets
Crisis Loans Claim Line	Freephone: 0800 028 8822	Monday – Friday 9.00am – 4.30pm	A Crisis Loan is there to help you in an emergency or as a consequence of a disaster  Social Fund officer will process your claim over the telephone
Pension Service Application Line	Freephone: 0808 100 6165  Textphone: 0808 100 1165  Fax Number: 028 7136 8365	Monday – Saturday 8.00am – 8.00pm	A quick and easy way for making new applications to Pension Credit  Applications forms completed for the customer
Pension Service Enquiry Line	Phone Number: 0845 601 8821  Textphone: 0845 601 8841  Fax Number: 028 7136 8365	Monday – Saturday 8.00am – 8.00pm	For general Pension Credit enquires e.g. enquiring about an application, or reporting a change of circumstances
Pensions Service Tele-Claims	Freephone: 0808 100 2658  Textphone: 0808 100 2198	Monday – Friday 9.00am – 5.00pm	A quick and easy way for making new applications to Retirement Pension

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

## Annex 3

### Facts and Figures

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

#### Spending on benefits 2004-05

Benefits taken from Northern Ireland Consolidated Fund <sup>1</sup>	£'000
Non-contributory retirement pension	1,909
Christmas bonus (pensioners)	1,110
Attendance Allowance	186,558
Carer's Allowance	84,664
Severe Disablement Allowance	40,782
Disability Living Allowance (including £4k Miscellaneous Disease Schemes)	549,528
Industrial Injuries Benefits	25,103
Income Support for the elderly <sup>2</sup>	4,733
Pension Credit <sup>2</sup>	278,388
Family Credit, Child Support Maintenance Bonus and Disability Working Allowance	79
Income Support – non-pensioners	483,870
Jobseeker's Allowance (income based) <sup>3</sup>	72,200
Age Related payments	12,627
Job grant	443
<b>Total: Northern Ireland Consolidated Fund</b>	<b>1,741,994</b>

Benefits taken from the Northern Ireland National Insurance Fund <sup>1</sup>	£'000
Retirement Pension	1,137,729
Christmas Bonus	3,325
Widow's Benefits	30,903
Statutory Sick Pay <sup>4</sup>	2,900
Incapacity Benefit	320,642
Maternity Allowance	4,310
Statutory Maternity Pay <sup>4</sup>	34,587
Jobseeker's Allowance (contribution based) <sup>3</sup>	12,421
<b>Total: Northern Ireland National Insurance Fund</b>	<b>1,546,817</b>

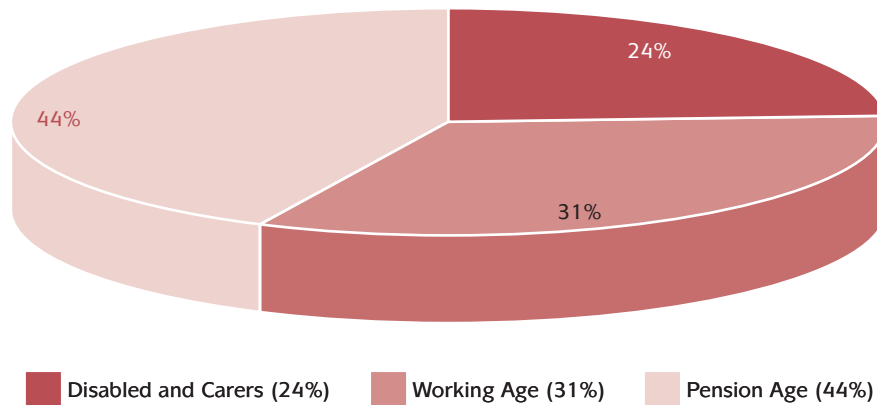
Social Fund <sup>1</sup>	£'000
Budgeting loans <sup>5</sup>	36,696
Crisis loans <sup>5</sup>	8,406
Community care grants	12,661
Maternity payments	4,574
Funeral payments <sup>5</sup>	2,711
Cold-weather payments	6
Winter Fuel payments	49,910
Repayment of loans and other receipts	(43,369)
<b>Total: Social Fund</b>	<b>71,595</b>
<b>Total public spending on benefits for which we are responsible</b>	<b>3,360,406</b>

## Notes

1. The source used for the figures shown in Annex 3 (apart from Statutory Sick Pay and Statutory Maternity Pay) is the Programme Accounting Computer System (PACS).
2. Pension Credit replaced Income Support for the Elderly from October 2003.
3. Spending on Jobseeker's Allowance is taken from the Department for Social Development's Vote (Request for Resources A) and the contributory element is repaid by the National Insurance Fund.
4. Employers normally pay Statutory Sick Pay and Statutory Maternity Pay at the commencement of a period of sick leave or maternity leave. The public spending cost of these benefits reflects the amount of refunds to employers of their contribution payments to the fund for their employees. Employers can claim the full cost of Statutory Maternity Pay. However, they can only reclaim part of their extra Statutory Sick Pay costs for any month when they have paid more than 13% of the employers' National Insurance contribution liability for that month.
5. Figures for Crisis Loans, Budget Loans and Funeral Payments represent amounts for new loans issued in the year.



Spending on benefits by broad groups of beneficiaries 2004-05



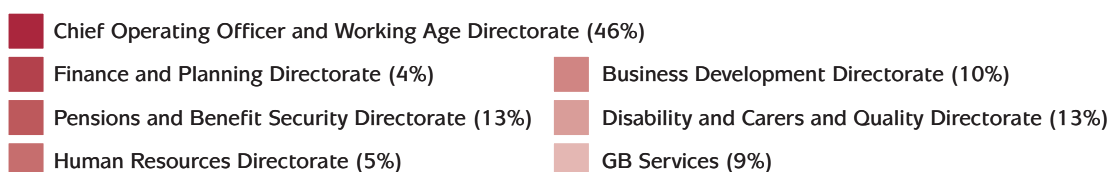
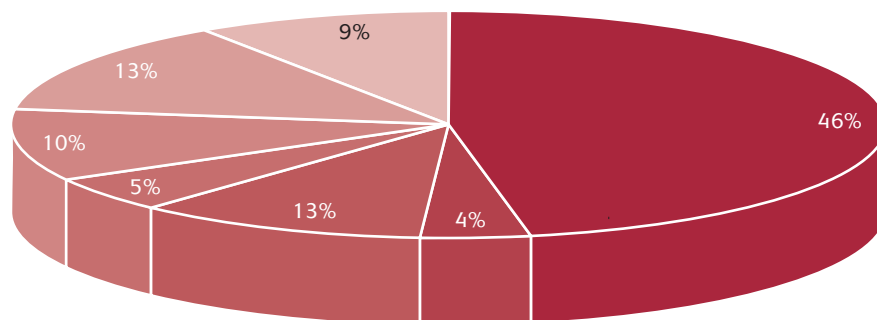
Spending on benefits = **£3,355,962k** <sup>1</sup>

Disabled and Carers	24.46%	£820,750k
Working Age	31.06%	£1,042,224k
Pension Age	44.49%	£1,492,988k

1. The above figure for spending on benefits, £3,355,962k, does not include the amounts for Crisis Loans, Budget Loans and Funeral payments and does not include repayments of loans and other receipts.

The following charts show how the money allocated to the Agency for 2004-05 was spent, giving a breakdown of spending by business area and by expenditure type.

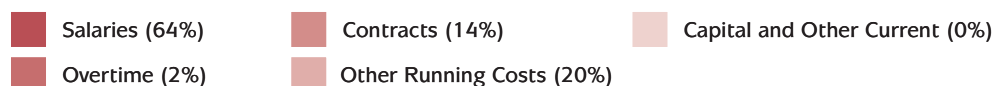
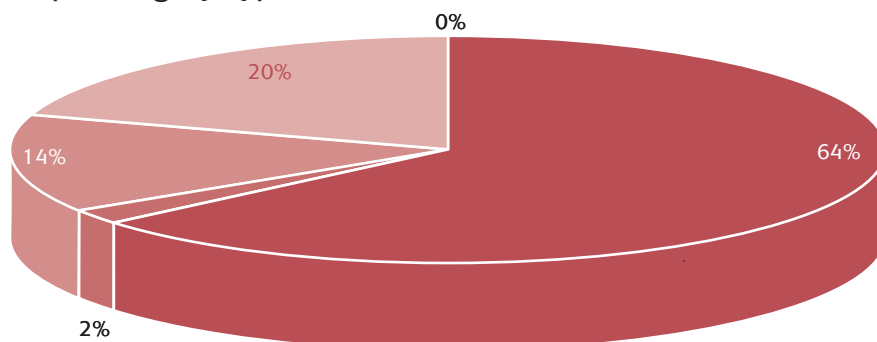
### Patterns of spending by business area 2004-05



#### Notes

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

### Patterns of spending by type 2004-05



Total spending = **£177.341 million**

(£176.061 million Administration costs, £0.609 million Other Current Costs and £0.671 million Capital Costs. These exclude non-cash costs).

#### Notes

1. The Northern Ireland operations spending figure is made up mainly of the cost of handling Income Support, Jobseeker's Allowance, the Social Fund, Pensions and the various Incapacity, Disability and Family benefits.
2. The spending figure for Great Britain services include the costs associated with handling the Belfast Benefit Centre and the Paid Order Unit.
3. Welfare Reform spending is included in the figures shown for each of the directorates.

## Forecast and actual workloads

The workload figures in the table below show the actual figures against average weekly fresh claims forecasts, unless it says otherwise. There are, of course, other activities, such as renewal claims, changes of circumstances, general administration, and dealing with customers who call into, phone or write to our offices, which are not all covered below.

Activity <sup>1</sup>	Forecast 2003-04	Actual 2003-04	Forecast 2004-05	Actual 2004-05
Income Support claims <sup>2</sup>	1069	1069	724	705
Income Support change of circumstances <sup>3</sup>	10891	11338	10170	10730
Income Support and Jobseeker's Allowance appeals	28	33	28	23
Social Fund crisis loans	2042	1804	2208	2182
Social Fund budgeting loans	2381	2426	2454	2359
Social Fund community care grants	1159	1153	1094	1062
Incapacity Benefit claims	777	807	731	707
Retirement Pension claims	328	336	350	337
Attendance Allowance claims	195	195	195	181
Carer's Allowance claims	234	240	243	243
Disability Living Allowance claims <sup>4</sup>	476	478	472	485
Jobseeker's Allowance (claims)	1519	1498	1382	1302
Jobseeker's Allowance register (monthly)	42134	37278	33346	32486

### Notes

1. The forecast figures in the table have been produced by Statistics and Research Branch (Department for Social Development).
2. Figures for Income Support claims represents only Income Support claims – Agency Benefit claims now recorded separately with its own workload driver.
3. The figures include 'change deductions', that is, changes to the amount of the deductions taken from Income Support.
4. The figures include 'normal' and 'special rules' claims.

# Annex 4

## Benefit Changes in 2004-05

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

### Contributory benefits

These benefits are known as contributory benefits because entitlement to them depends on enough National Insurance contributions having been paid. For this reason, they are sometimes also known as 'National Insurance benefits'. The main contributory benefits are Retirement Pension, Bereavement Benefits, Incapacity Benefit and Jobseeker's Allowance (contribution-based).

The 2004-05 rates for the main contributory benefits were announced, along with the new rates for all other benefits, in November 2003. The reasons for increasing the rate was the latest available information in the retail prices index (RPI) over the year to September 2003, which was 2.8%. Here are some examples of the increase.

- The basic Retirement Pension rose by £2.15 a week for a single person (from £77.45 to £79.60) and by £3.45 for a couple (from £123.80 to £127.25).
- Jobseeker's Allowance (contribution-based) for a single person over 25, went from £54.65 to £55.65.
- Incapacity Benefit went from £72.15 to £74.15 for a single person on the 'long term' rate.

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### Income-related benefits

Income-related benefits are available to people whose income falls below a certain level, depending on their particular circumstances. These benefits take account of any savings they have, as well as income. The main income-related benefits are Income Support, income-based Jobseeker's Allowance, State Pension Credit and Housing Benefit. We make most payments from the Social Fund to people receiving income-related benefits.

The guarantee credit element of the State Pension Credit provides the minimum income level, below which pensioner income should not fall. The Government has given a commitment that the level will rise in line with earnings.

Other income-related benefits are increased each year by the Rossi index. This is based on the Retail Price Index not including most housing costs, but including water and sewerage charges, home insurance, ground rent, repair and maintenance charges and do-it-yourself materials. Rent and mortgage interest are not included because their cost can be met directly through Housing Benefit, income-based Jobseeker's Allowance, Income Support and State Pension Credit. The Rossi index to September 2003 was 1.8%. Here are some examples:

- Income Support and Income-based Jobseeker's Allowance for a single person over 25 went up from £54.65 to £55.65.
- Income Support and Income-based Jobseeker's Allowance for a couple with two children aged, for example, 10 and 12, went up from £178.50 to £187.79.

## Other benefits

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

- Severe Disablement Allowance increased from £43.60 to £44.80 and Carer's Allowance increased from £43.15 to £44.35.
- The higher rate of Attendance Allowance and the highest rate of the care component of Disability Living Allowance increased from £57.20 to £58.80.
- The higher rate of the mobility component of Disability Living Allowance increased from £39.95 to £41.05.
- For example, the benefit for a family with a disabled child of 12 receiving Disability Living Allowance (highest rate care and higher rate mobility component), Carer's Allowance and Child Benefit (for a single child) rose from £156.35 to £160.70.

# Annex 5

## Recruitment information

Recruitment information is published in line with Annex B to the Civil Service Commissioners' Recruitment Code. Details for the period 1 April 2004 to 31 March 2005 are shown at Tables A and B.

### 1. Recruitment systems

We work in line with the recruitment principle of selection of staff on merit on the basis of fair and open competition, in line with the Civil Service Commissioners' Recruitment Code.

We have put the following systems in place to make sure that we choose staff in line with sections 2 to 4 of this code:

- Make written guidance on recruitment policies and procedures available to all staff involved in recruiting temporary staff.
- Make sure training is in place for staff and panel members involved in the recruitment process.
- Make sure panel members receive written guidance and verbal briefings on applying the recruitment principle before carrying out interviews.
- Draw up job specifications for those grades to which we recruit, setting out the requirements of the job and the terms and conditions of the appointment. These are reviewed and revised if necessary before each recruitment competition.
- Clearly define the essential criteria for the job before we advertise it.
- Make sure all advertisements include an equal opportunities statement that makes it clear that we welcome people regardless of their religious beliefs, political opinions, sex, disability, race, age, marital status, sexual orientation and whether or not they have dependants. As Protestants and men are currently known to be under-represented amongst applicants for employment in the grade of Administrative Assistant in the Northern Ireland Civil Service; a positive action statement has also been included advising that applications from the Protestant section of the community and from men would be particularly welcome.
- Make sure all advertisements for the job of Administrative Assistant say that if candidates with disabilities do not hold the necessary academic qualifications, they will have to sit an aptitude test.
- Place all advertisements in all the Jobcentres and Jobs & Benefits Offices in Northern Ireland.
- Issue and accept application forms up to the specified closing date for receiving applications.
- Make sure application forms contain only questions which are relevant to help us assess whether that person is suitable for the job. (Although we do send out forms to get information for administrative and monitoring purposes.)
- Keep appropriate records in relation to all decisions taken.
- Record test/interview scores on mark-frames and recommend candidates for appointment in order of merit.
- Keep records for three years.

## 2. Internal monitoring

We use an internal monitoring programme to make sure that recruitment policies and procedures are working effectively throughout the Social Security Agency.

## 3. Appointments Under Regulation 2

We made three appointments under Regulation 2 of the Civil Service Commissioners' General Regulations 1996 during this period. This was made under the 'Candidates with disabilities' category.

## 4. Statistical summaries

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

## Recruitment information – Table A

### Composite return - Applications

Northern Ireland Civil Service Recruitment

**NICS Recruitment Service or Department or Agency:** Social Security Agency  
Period covered: 1 April 2004 to 31 March 2005

### Total number of applications by occupational group

Occupational group	Total	Sex		Community background						Disabled			
		Male	%	Female	%	Protestant	%	Roman Catholic	%	other	%	Disabled	%
General services grades	1371	641	46.75	730	53.25	546	39.82	741	54.05	84	6.13	93	6.78
Centralised service grades	856	566	66.12	290	33.88	428	50.00	377	44.04	51	5.96	67	7.83
<b>Total</b>	<b>2227</b>	<b>1207</b>	<b>54.20</b>	<b>1020</b>	<b>45.80</b>	<b>974</b>	<b>43.74</b>	<b>1118</b>	<b>50.20</b>	<b>135</b>	<b>6.06</b>	<b>160</b>	<b>7.18</b>

### Classification of applications by appointment

Occupational group	Total	Sex		Community background						Disabled			
		Male	%	Female	%	Protestant	%	Roman Catholic	%	other	%	Disabled	%
Temporary or Casual	2227	1207	54.20	1020	45.80	974	43.74	1118	50.20	135	6.06	160	7.18
<b>Total</b>	<b>2227</b>	<b>1207</b>	<b>54.20</b>	<b>1020</b>	<b>45.80</b>	<b>974</b>	<b>43.74</b>	<b>1118</b>	<b>50.20</b>	<b>135</b>	<b>6.06</b>	<b>160</b>	<b>7.18</b>

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



## Recruitment information – Table B

### Composite return - Appointments

Northern Ireland Civil Service Recruitment

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

Period covered: 1 April 2004 to 31 March 2005

### Total number of appointments by occupational group

Occupational group	Total	Sex				Community background						Disabled	
		Male	%	Female	%	Protestant	%	Roman Catholic	%	other	%		%
		General services grades	198	89	44.95	109	55.05	78	39.39	115	58.08	5	2.53
Centralised service grades	63	47	74.60	16	25.40	30	47.62	32	50.79	1	1.58	5	7.94
<b>Total</b>	<b>261</b>	<b>136</b>	<b>52.11</b>	<b>125</b>	<b>47.89</b>	<b>108</b>	<b>41.38</b>	<b>147</b>	<b>56.32</b>	<b>6</b>	<b>2.30</b>	<b>15</b>	<b>5.75</b>

### Appointment type

Occupational group	Total	Sex				Community background						Disabled	
		Male	%	Female	%	Protestant	%	Roman Catholic	%	other	%		%
		Temporary or Casual	261	136	52.11	125	47.89	108	41.38	147	56.32	6	2.30
<b>Total</b>	<b>261</b>	<b>136</b>	<b>52.11</b>	<b>125</b>	<b>47.89</b>	<b>108</b>	<b>41.38</b>	<b>147</b>	<b>56.32</b>	<b>6</b>	<b>2.30</b>	<b>15</b>	<b>5.75</b>

These figures include 19 General Service Grades who were appointed to Department of Employment and Learning.

# Annual Accounts 2004-2005

## Part 2





# Contents

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# Accounts Foreword

This part of the Annual Report sets out the accounts of the Northern Ireland Social Security Agency (NISSA) for the financial year ended 31 March 2005.

## History and statutory background

The Agency was established as an Executive Agency of the Department of Health and Social Services on 1 July 1991 under the "Next Steps" Initiative.

On the 2 December 1999, the Northern Ireland Social Security Agency ceased to be part of the Department of Health and Social Services and became part of the newly formed Department for Social Development (DSD).

These accounts are presented in accordance with a direction issued by the Department of Finance and Personnel in accordance with section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

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## Principal activities

The Agency's principal activities are set out in its Framework Document (1997). The main business of the Agency is: to assess and pay benefits accurately and securely; give advice and information about these benefits; support people by helping them move closer to work; handle reviews and appeals; prevent and detect benefit fraud, prosecute offenders and recover any benefit which has been paid incorrectly; recover benefit which has been paid in compensation cases; and assess people's financial circumstances if they are applying for legal aid. The Agency also administers the Social Fund, which provides discretionary and regulated grants and interest free loans to meet the needs, in certain circumstances, of clients and people on low incomes. The Agency also provides through its Belfast Benefits Centre, "back office" benefits processing services for several London offices of the Department for Work and Pensions (DWP) in Great Britain and, through the Paid Order Unit at Lisahally, an accounting, storage, search and retrieval service for paid benefit orders for the whole of the UK. Due to the introduction of direct payment into personal bank accounts Lisahally Paid Order Unit is gradually being wound down.

## Administration and programme expenditure

The Agency accounts include both administrative and programme expenditure derived from the DSD Request for Resources A. Programme expenditure includes social security benefits, grants and loans administered by the Agency. Further information on this is included in the notes to the financial statements.

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

The Agency administers contributory benefits on behalf of the National Insurance Fund and makes payments and loans on behalf of the Social Fund. This programme expenditure is accounted for separately in the Account of the National Insurance Fund and the Account of the Northern Ireland Social Fund.

## Performance targets

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

## Business review and results for the year

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

A full review of the Agency's activities during the year is given on pages 3 to 46 of this Annual Report.

The Operating Cost Statement on page 63 shows the net operating cost of the Agency.

The net cost of operations for the year was £3.482bn (2003-04: £3.336bn), including notional interest of 3.5% on capital employed (2003-04: 3.5%). Capital expenditure for the year amounted to £0.671m (2003-04: £8.655m).

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

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

The Social Security Agency was responsible for the payment of Child Benefit, Lone Parent Premium, and Guardian's Allowance in Northern Ireland up until 31 March 2003. From 1 April 2003, the responsibility for the payment of these benefits transferred to the Inland Revenue in Great Britain. Details of this transfer of function are included in Note 15.6 in the accounts.

## Future developments

The outcome of Budget 2004 has left the Agency with a very considerable challenge. Nevertheless, the Agency is committed to living within budget by achieving its targets in terms of financial efficiency and in its contribution to the Department's Public Service Agreement. Five key areas have been identified as priorities for the Agency over the next three years:

- Delivering Better Customer Services
- Promoting Benefit Uptake
- Reducing Fraud and Error
- Debt Recovery
- Modernisation

One of the Agency's key tasks will be to continue with the opening of Jobs & Benefits offices and extending work-focused interviewing in all of the offices delivering the new Jobs and benefits service.

At the end of March 2005, 24 offices have been co-located and now operate the work-focused service with the full rollout of all 35 offices due to be completed by March 2007.

Following closure of the first phase of the Welfare Reforms and Modernisation Programme, funding was secured under Priorities and Budgets 2005 – 2008 to take forward a second phase of this programme which commenced in April 2005. The Programme is running in parallel with the DWP's Modernisation Programme in Great Britain.

The DWP Programme will see the introduction of improved information technology, modern telephony and benefit processing systems. This technology will revolutionise the type, and availability, of services to the client (for example, self-service options via the internet, increased use of telephone contact and less reliance on face-to-face contact).

The Modernisation Programme will be implemented across the Agency's three key business areas (pensions, disability benefits and jobs/benefits) and across the information technology infrastructure, including its benefit IT systems.

## Fixed assets

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

During the year there has been no substantial investment in fixed assets.

## Pension schemes and associated liabilities

Present and past employees of the Agency are covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)) which is an unfunded and essentially non-contributory defined benefit scheme. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Agency makes employer contributions towards the cost of pension cover for its staff and these are charged to the operating cost statement as they accrue. There is a separate scheme statement for the PCSPS(NI) as a whole. Further details are provided in notes 1.14 and 3.

## Political and charitable donations

The Agency made no political or charitable donations during the year (2003-04: £nil).

## Payments to suppliers

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payment Code and British Standard BS 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

Regular reviews conducted to measure how promptly the Agency pays its bills found that approximately 97.7% of bills were paid within this standard during 2004-05 (2003-04: 97.4%).

## Disabled employees

The Agency takes full cognisance of the Civil Service Code of Practice on the employment of people with disabilities. Wherever possible, arrangements are made for the continued employment of persons who

have become disabled during service and for appropriate training, career development and promotion of disabled employees.

## Equal opportunities

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

## Employee involvement

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

## Health and safety

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

## The Euro

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

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## Related Party Disclosures

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

## Agency Management Board

Details of the remuneration of the Agency Management Board have been included in Note 3 to the accounts. The Chief Executive for the Agency, Mr Gerry Keenan, was appointed during the 2003-04 financial year. His original appointment as Chief Executive was to the NI Child Support Agency and was determined in accordance with NICS promotion and appointment procedures which are overseen by the Civil Service Commission under the terms of Article 6 of the Civil Service Commission (NI) Order 1999. He was transferred to the Social Security Agency under the Senior Civil Service transfer procedures. The appointment is for an indefinite term under the terms of the Senior Civil Service contract (Part 5, Chapter 8 of the NICS Handbook refers). The rules of termination are set out in Chapter 11 of the Senior Civil Service Management Code.

During the year, the Agency was managed by the Agency Management Board. Members of the Agency Management Board during the year were:



Chief Executive	Gerry Keenan
Director of Operations (from September 04)	Bryan Davis
Director of Finance and Planning	Heather Cousins
Director of Human Resources (from September 04)	Grace Nesbitt
Acting Director of Human Resources (until September 04)	Pat Magee
Director of Business Development (until March 05)	Tommy O'Reilly
Acting Director of Business Development (from March 05)	John O'Neill
Medical Director	Dr Terry Dixon
Director of Working Age (until December 04)	John Nevin
Director of Disability and Carers & Quality (until December 04)	Anne Flanagan
Director of Pensions and Benefit Security (until December 04)	David McCurry
Non-Executive Director (until June 04)	Andrew Smith

Following the restructuring of the Board in January 2005 the Agency is now managed by a Chief Executive and five Executive Directors.

In May 2005 Mr Colum Boyle was appointed the new Director for Business Development .

## Audit

These accounts have been audited by the Comptroller and Auditor General for Northern Ireland whose Certificate and Report appears on pages 61 to 62.

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

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G Keenan  
Chief Executive

10 October 2005

# 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 have directed the Northern Ireland Social Security Agency to prepare a statement of accounts for each financial year. 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 net cost of operations, 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 on a reasonable basis;
- 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 Social Security Agency as the Accounting Officer for the Agency. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, published in "Government Accounting in Northern Ireland" issued by the Department of Finance and Personnel.

# Statement on Internal Control

## 1. Scope of responsibility

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

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives: it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel (DFP) guidance.

## 3. Capacity to handle risk

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

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

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

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

The Risk Management Policy has been embedded across the Agency with senior managers fully trained in risk methodology. I have assigned ownership of key risks to those with the responsibility and authority for implementing controls and assigning resources to manage key risks. The Agency has integrated risk management with all aspects of the business by supporting staff further through:

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

The Agency's Risk Management Policy is formally reviewed by Agency Management Board on an annual basis. This annual review assesses how the Agency's system of internal control has performed in the current year, the scope and quality of the ongoing monitoring of risks, and reports received from internal audit, all of which provide a platform to consider best practice and lessons learned.

## 4. The risk and control framework

Risk management within the Agency is an integral part of the annual business planning process. The Agency has implemented a risk management process which includes risk identification, assignment of ownership, risk prioritisation, mitigation and management, and an evaluation and review. The following evidence describes the key elements in the Agency's risk management strategy, and demonstrates how it is embedded within the organisation.

Agency Management Board has overall responsibility for ensuring a robust risk management process is established, and is responsible for agreeing the Agency's *Risk Management Framework* annually. The Framework sets out the key risks to the successful achievement of the Agency's strategic objectives, and identifies the risk owner and controls in place to manage each risk.

The Risk Management Framework is supported by a *Corporate Risk Register*. The Risk Register records the status of each risk, actions taken to manage the risk, and contingency plans if applicable.

The Risk Management approach includes:

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

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

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

## 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, and the Audit Committee and a plan to address weakness and ensure continuous improvement of the system is in place.

The Board has:

- reviewed how the Agency's system of internal control has performed, taking into consideration the changes in the nature and extent of significant risks since the last annual assessment;
- identified the significant risks that face the Agency for the year 2005/06 and agreed the management of controls; and,
- signed off the Agency Risk Management Policy and Framework for the incoming business year.

An Audit Committee has been established to support me as Accounting Officer in my responsibilities for issues of risk, control and governance and associated assurance. The Audit Committee:

- meets four times a year, with the option to convene additional meetings as it deems necessary;
- is attended by the Head of Internal Audit, and representatives from the Northern Ireland Audit Office (NIAO);
- provides assurances relating to the corporate governance requirements for the organisation; and,
- advises on the adequacy of management responses to issues identified by audit activity.

The DSD Internal Audit Unit provides an independent opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement. Internal Audit operates to standards set out in the Government Internal Audit Manual and provides me with:

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

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

- the Agency's Corporate Governance Framework;
- a Business Plan for 2005/06 that will deliver Public Service Agreement (PSA) objectives;
- a structured approach to setting business plan objectives and planned initiatives;
- the setting of targets and the cascading of these to management and staff through the Agency's Business Plan;
- quarterly monitoring of progress against 2004/05 Service Delivery Targets, Performance Measures and Customer Service Standards;
- an Agency Management Board which meets monthly to consider the plans, performance and strategic direction of the Agency;
- a framework of regular management information;
- a Standards Committee, which provides me with independent advice on the quality of the Agency's decision making;

- compliance with specific regulations and procedures laid down either externally or centrally, including security, health and safety, data protection, government accounting and legal requirements;
- quarterly assurance statements to me from Directors; and
- an internal follow-up system to ensure that internal audit recommendations are implemented.

## 6. Significant internal control problems

Arising from his audit of the 2003-04 Agency accounts the Comptroller and Auditor General (C&AG) reported on two major qualification issues.

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

I would advise that during 2004-05 the Agency has continued to monitor the levels of fraud, error, and decision making within its benefit administration.

The Standards Committee Report for 2004-05 on Decision Making and Accuracy indicates that in terms of decision making standards seven out of fourteen benefit benchmark targets have been achieved, with 6 of these actually exceeding the benchmark.

In addition, results for payment /case accuracy show that six out of the ten targets were achieved with five exceeding the target. Regarding performance of the main benefits, both Jobseeker's Allowance and Incapacity Benefit exceeded target, while Income Support improved on last year and was within 1% of the new target set for 2004-05. Performance for Disability Living Allowance however dipped slightly.

The final Benefit Review figures for 2004-05 for levels of fraud and error relating to Income Support, Jobseeker's Allowance, and Incapacity Benefit, and the 2003-04 figures for Disability Living Allowance have not yet been published. However, the information currently available indicates that in Income Support and Jobseeker's Allowance the levels of fraud and error are continuing to reduce and the relevant PSA targets will be met.

During the 2004-05 year there was also a focus on training and awareness and the sharing of best practice in the drive to improve standards.

For 2005-06 reducing fraud and error is one of the five key priority areas for the Agency with a primary focus on quality and accuracy in the provision of benefits to our customers.

Benefit Managers are currently finalising an accuracy improvement plan which should focus continuous improvement in this area. This will concentrate on the key themes of training, sharing best practice, decision making for accuracy checking arrangements.

Furthermore all benefit branches have Programme Protection Plans in place to improve accuracy and identify areas for action to reduce levels of fraud and customer error. Performance against these plans is monitored on a monthly basis by the Agency Management Board.

The second qualification issue on the 2003-04 accounts involved uncertainties over certain debtor and creditor balances within the Agency's Programme Accounting Computer System which have led to a qualification issue on the Agency's balance sheet. In relation to the debtors' balance, work has continued during 2004-05 to try and improve the accuracy and completeness of the debtors' figure. However it is anticipated that the development of the Debt Transformation Programme will address the major audit issues with this balance. This programme will implement a new debt management system and revised debt processes which in turn should provide greater assurance over the debtors figure reported in the accounts. In relation to the Encashment Control Creditor balance the Agency has successfully carried out an exercise to determine and support the balance within the accounts. The Agency has been able to provide the necessary audit evidence to enable removal of the qualification in The Agency's 2004-05 accounts.

The SSA Annual Audit report for 2004-05 reported that limited assurance was appropriate for the area of programme expenditure. As per last year the two main areas of concern continue to be weaknesses in the Agency's benefit or OPSTRAT systems and failure within the Agency to comply with laid down procedures.

Improvements in the NI OPSTRAT computer systems are reliant on concurrent changes in the similar systems used in Great Britain (GB). A major IT modernisation programme is underway in GB which will lead to the eventual replacement of the current OPSTRAT systems. It is therefore anticipated that the existing system weaknesses will be addressed during the new system development phase. However it is unlikely that any significant changes will be made to the present OPSTRAT systems to address the existing problems. In the interim the Agency continues to work with Internal Audit to address weaknesses and minimise risk by introducing compensatory controls.

Non-compliance with laid down procedures is an ongoing problem. In order to try and address this issue there is now a priority focus on quality in the delivery of benefit services. All operational units have therefore been instructed to take action to resolve problems with non-compliance, and to achieve substantial assurance in audit assessments from 1 July 2005. Failure to achieve a substantial assurance rating because of non-compliance will not be acceptable. In addition the performance reporting process which requires senior managers to complete Certificates of Assurance will continue to be accepted as assurance that procedures, controls, checks etc. are being fully applied. The Certificates confirm that all areas of the business are being properly controlled, or where this assurance cannot be given an exception report is completed.

Also included in the SSA Annual Audit Report was reference to an internal audit report produced in January 2005 on the administration of Pension Credit. In the report it was recognised that the introduction of Pension Credit posed considerable challenges for both management and staff within the Agency. However due to audit concerns a 'no assurance' rating was considered appropriate for this area. A management action plan was subsequently developed to implement the audit recommendations that arose from the report, and as at June 2005 Pension Credit managers have advised that a total of 12 of 17 have been fully implemented with the other 5 implemented in part.

In addition Pension Credit Management has instigated their own internal validation process, to confirm that these recommendations have actually been properly implemented and tested and that there is evidence to support this.

Finally Internal Audit also commented in their Annual Report on two issues in relation to Debt Management Unit (DMU) within the Agency. The first of these involved concerns over the validation of the measurement system for reporting on the Overpayment Recovery Target. In response to this DMU has introduced new processes to validate the information they receive on debt repayments and they are also taking forward ongoing work to validate the information held on the Overpayment Recovery System (OPREC). Secondly there are ongoing problems concerning the completeness of overpayment information being forwarded to DMU. New procedures to address this problem were piloted in two districts in 2003-04 and during 2004-05 this pilot process has been rolled out to all six Agency districts and to a lesser extent in the centralised benefits. These revised processes will be subject to a further review to assess their success in resolving the underlying problems. Again for 2005-06 the Agency has made debt recovery one of its five priority areas. A major part of the Agency's plans to address problems with debt management will be the Debt Transformation Programme. Within this programme new IT systems and revised processes will modernise and improve the Agency's complete approach to debt and debt management and should resolve the ongoing internal audit issues.



G Keenan  
Chief Executive

10 October 2005

# 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 on pages 63 to 92 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 66 to 69.

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

As described on page 55, the Agency and Chief Executive are responsible for the preparation of 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. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 56 to 60 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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. However, I did not have reasonable assurance, or the evidence available to me was limited in the following areas:

- the Agency's estimated losses of £107 million in Income Support, Jobseeker's Allowance, Disability Living Allowance, Attendance Allowance, Carer's Allowance, Retirement Pension & Bereavement Benefits, Incapacity Benefit and Social Fund benefits through fraud and error; and
- insufficient evidence due to deficiencies in the accounting systems to substantiate the Programme Accounting Computer System's non – contributory and contributory benefit overpayment debtor balance of £46.3 million (gross), which may cause the Agency's net assets to be significantly misstated.

In consequence, I was unable to carry out auditing procedures necessary to obtain adequate assurance on the amounts and disclosures included in the financial statements.

In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Because of:

- the significance of the estimated level of fraud and error in certain non –contributory and contributory social security benefits and social fund benefits; and
- the possible effect of the limitations in evidence available to me in relation to certain debtor balances in the Programme Accounting Computer System,


I am unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Social Security Agency at 31 March 2005 and of the net cost of operations, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel.

Except for the expenditure relating to erroneous benefit awards and arising from fraudulent benefit claims, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In respect of the errors and fraud in Social Security Benefits and the limitations on my work relating to the Programme Accounting Computer System:

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

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

  
J M Dowdall CB  
Comptroller and Auditor General  
14 October 2005

Northern Ireland Audit Office  
106 University Street  
Belfast BT7 1EU

## Operating Cost Statement for the Year Ended 31 March 2005

	Note	Year ended 31 March 2005		Year ended 31 March 2004	
		£000	£000	£000	£000
<b>Administration costs</b>					
Staff costs	3.1	115,237		117,093	
Depreciation and other amounts written off tangible fixed assets	4.1	5,505		2,246	
Other operating costs	4.2	81,874		78,302	
<b>Gross administration costs</b>			<b>202,616</b>		197,641
Operating income	2.1		(43,346)		(42,905)
<b>Net administration costs</b>			<b>159,270</b>		154,736
<b>Programme costs</b>					
Benefits funded by Consolidated Fund					
Expenditure	6	1,745,602		1,661,062	
less: income	2.2	(4,844)		(4,025)	
			<b>1,740,758</b>		1,657,037
Benefits funded by National Insurance Fund					
Expenditure	7	1,509,338		1,455,040	
less: income	2.2	(8)		(10)	
			<b>1,509,330</b>		1,455,030
Benefits funded by Social Fund					
Expenditure	8	69,913		67,387	
less: income		-		-	
			<b>69,913</b>		67,387
<b>Net programme costs</b>			<b>3,320,001</b>		3,179,454
<b>Cost of operations before cost of capital</b>					
			<b>3,479,271</b>		3,334,190
Cost of capital			2,573		2,022
<b>Net cost of operations</b>	14.1		<b>3,481,844</b>		3,336,212

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

## Statement of Recognised Gains and Losses for the Year Ended 31 March 2005

	Note	Year ended 31 March 2005		Year ended 31 March 2004	
		£000	£000	£000	£000
Unrealised surplus on revaluation of fixed assets	14.2		4		4,554

The notes on pages 66 to 92 form part of these accounts.

## Balance Sheet as at 31 March 2005

	Note	Year ended 31 March 2005		Year ended 31 March 2004	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9		21,585		26,415
<b>Debtors falling due after more than one year</b>	10.2		43,456		38,951
<b>Current assets</b>					
Debtors	10.1	54,459		49,384	
Cash with paying agents	11	22,507		12,774	
<b>Current liabilities</b>					
Creditors - amounts falling due within one year	12	(57,147)		(65,288)	
<b>Net current assets/(liabilities)</b>			19,819		(3,130)
<b>Total assets less current liabilities</b>			84,860		62,236
<b>Provisions for liabilities and charges</b>	13		(2,281)		(1,846)
<b>Net assets</b>			82,579		60,390
<b>Financed by:</b>					
General fund	14.1		73,486		51,301
Revaluation reserve	14.2		9,093		9,089
<b>Taxpayers' Equity</b>			82,579		60,390

The notes on pages 66 to 92 form part of these accounts.

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G Keenan  
Chief Executive

10 October 2005

## Cash Flow Statement for the Year Ended 31 March 2005

	Note	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
<b>Net cash outflow from operating activities</b>	15.1	(3,480,619)	(3,304,656)
Capital expenditure		(582)	(8,655)
Financing	15.2	3,481,201	3,313,311
Increase/(decrease) in cash in the period	15.3	-	-
<b>Reconciliation of operating cost to operating cash flows</b>			
<b>Net operating cost</b>		(3,481,844)	(3,336,212)
Adjustment for non-cash transactions	15.4	28,333	21,015
Adjustment for movements in working capital other than cash	15.5	(27,108)	2,933
Transfer of Child Benefit	15.6	-	7,608
<b>Net cash outflow from operating activities</b>		(3,480,619)	(3,304,656)
<b>Analysis of capital expenditure</b>			
Payments to acquire fixed assets	9	(582)	(8,655)
<b>Net cash outflow from investing activities</b>		(582)	(8,655)
The notes on pages 66 to 92 form part of these accounts.			

# Notes to the Accounts

## For the Year Ended 31 March 2005

### 1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2004-05 NI Resource Accounting Manual (NIRAM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the NIRAM follow UK Generally Accepted Accounting Practice (UK GAAP) for companies to the extent that it is meaningful and appropriate to the public sector. Where the NIRAM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The accounting policies adopted by the Agency are described below. 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 as modified to account for the revaluation of fixed assets at their value to the Agency by reference to their current costs.

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

#### 1.2 Tangible Fixed Assets

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

The levels adopted across the Agency are £1,000 for office machinery and fixtures and fittings and £5,000 for property improvements, cabling, software and licences. Computer equipment is also capitalised irrespective of cost.

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

Land and buildings have been restated at current cost using professional valuations by the Valuation and Land Agency (VLA) every five years and appropriate indices in intervening years. The valuations were carried out by members of the Royal Institute of Chartered Surveyors (RICS) in accordance with procedures laid out in the RICS Appraisal and Valuation Manual. The last valuation was carried out at 31 March 2004.

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

### 1.3 Depreciation

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

The estimated useful economic lives used to calculate depreciation are:

- Buildings and property improvements      5 to 60 years
- Computer equipment and software          3 to 10 years
- Furniture and fittings                         5 to 10 years
- Office equipment                                3 to 10 years
- Motor Vehicles                                  5 years

No depreciation is provided on freehold land.

### 1.4 Land and Buildings and Property Improvements

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

All of the work carried out by the Belfast Benefit Centre and approximately 96% of the work of the Paid Order Unit relates to processing services provided to the Department for Work and Pensions in GB.

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

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

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### 1.5 Operating Income

Operating income is income relating directly to the Agency's operating activities. It is mainly made up of fees and charges for services provided to external customers such as the 'back office' benefits processing services to the Department for Work and Pensions in GB.

### 1.6 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Agency and are controlled under the administration cost control regime through the Departmental Expenditure Limits (DEL), together with associated operating income.

Programme expenditure comprises statutory payments including non contributory benefit expenditure which is within the supply process, contributory expenditure which is funded from the National Insurance Fund (NIF) and expenditure which is borne by the Social Fund. This is annually managed expenditure (AME).

### 1.7 Social security programme expenditure

During 2004-05, social security benefits were paid by order books, girocheques, payable orders and bankers automated credit transfer. The main method for receiving social security benefit payments was through Direct Payment/automated credit transfer. As of March 2005, payments via order books have been phased out and this method of payment is no longer available.

## 1.8 National Insurance Fund

Contributory benefits funded from the NIF and the costs to the Agency of administering the NIF are included in the Operating Cost Statement. The NIF provides financing to the Agency to cover the contributory benefit expenditure and the administration costs incurred by the Agency. The financing from the NIF shown in the Cash Flow Statement is the net financing due to the Agency.

## 1.9 Stocks

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

## 1.10 Cash and bank balances

Due to funding requirements it is Departmental policy to hold all operational bank accounts, including those used by the Agency, centrally. Thus no 'bank balance' is shown separately in the Agency's accounts. The Departmental bank balance is disclosed in the Departmental Resource Accounts.

## 1.11 VAT

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

## 1.12 Cost of capital

A charge reflecting the cost of capital utilised by the Agency is included within operating costs. The charge is calculated at the Government's standard rate of 3.5% in real terms of capital employed.

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

## 1.13 Leasing

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

## 1.14 Pension costs

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

## 1.15 Early departure costs

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

The Agency provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes. The total costs are recognised in the year in which the announcement is made and the obligation is binding on the Agency. The estimated payments are discounted at the Treasury discount rate of 3.5% in real terms.

### **1.16 Private Finance Initiative Transactions**

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

### **1.17 Contingent Liabilities**

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



## 2.1 Operating income

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

	2004-05 £000	2003-04 £000
Administration of the National Insurance Fund	27,960	27,810
Services to the Department for Work and Pensions	14,776	14,498
Mortgage Interest Direct Scheme	164	151
Other administration income	446	446
	<u>43,346</u>	<u>42,905</u>

## 2.2 Programme Income

An analysis of programme income for the Consolidated Fund, £4.844m (2003:04 £4.025m), is shown in note 6 and an analysis of programme income for the National Insurance Fund, £0.008m (2003:04 £0.010m), is shown in Note 7.

	Note	2004-05 £000	2003-04 £000
Consolidated Fund	6	4,844	4,025
National Insurance Fund	7	8	10
		<u>4,852</u>	<u>4,035</u>

### 3 Staff costs and numbers

#### 3.1 Analysis of staff costs

	2004-05 £000	2003-04 £000
Salaries and wages	97,796	99,742
Social security costs	6,094	6,190
Superannuation	11,135	11,015
Early departure costs	189	97
<b>Sub-total</b>	<b>115,214</b>	<b>117,044</b>
Inward Secondments	23	49
<b>Total</b>	<b>115,237</b>	<b>117,093</b>
Less Recoveries in respect of outward secondments	(234)	(149)
<b>Total Net Costs</b>	<b>115,003</b>	<b>116,944</b>

#### Superannuation scheme

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

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

For 2004-05, employer contributions of £11.161m were payable to the PCSPS (NI) (2003-04: £11.060m) at one of four rates in the range 12% to 18% of pensionable pay (2003-04: 12% to 18%), based on salary bands. From 1 April 2005 these rates have increased as a result of the latest actuarial valuation to between 16.5 % and 23.5%.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £3,912 (2003-04: £4,836) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £352 (2003-04: £506), 0.8% of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2005 were £4,595 (31 March 2004: £5,890).

### 3.2 Number of employees

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

	2004-05 Number of staff	2003-04 Number of staff
Permanent	5,719	6,039
Others	278	341
	<u>5,997</u>	<u>6,380</u>

### 3.3 Early departure costs

There were four early retirements from the Agency during 2004-05 (2003-04 one). The total cost of these decisions, which will be funded in full by the Agency is £104,000 (2003-04: £49,000). The amount owed to the Department of Finance and Personnel in respect of early retirement costs prior to 31 March 2005 is £38,000 (2003-04 £2,000) and is included within creditors. In accordance with NIRAM the entire amount payable from 1 April 2005 to the date of retirement has been discounted using the Treasury rate of 3.5% and included within provisions for liabilities and charges (Note 13).

### 3.4 Board members and higher paid employees

(a) The salary and pension entitlements of the members of the Agency Management Board during the year were:

	Salary (as defined below)		Real increase in pension at age 60		Total accrued pension at age 60		CETV		Real increase in CETV
	31 Mar 05 £'000	31 Mar 04 £'000	31 Mar 05 £'000	31 Mar 04 £'000	31 Mar 05 £'000	31 Mar 04 £'000	31 Mar 05 £'000	31 Mar 04 £'000	31 Mar 05 £'000
<b>Gerry Keenan</b> (Chief Executive from Jan 04)	80 - 85	80 - 85	0 - 2.5	2.5 - 5	35 - 40	35 - 40	664	613	23
<b>Chris Thompson</b> (Chief Executive until Jan 04)	N/A	90 - 95	N/A	2.5 - 5	N/A	35 - 40	N/A	644	N/A
<b>Bryan Davis</b> (Operations Director from Sep 04)	Consent to Disclose Withheld								
<b>Barney McGahan</b> (Operations Director until Jan 04)	N/A	80 - 85	N/A	0 - 2.5	N/A	25 - 30	N/A	429	N/A
<b>Heather Cousins</b> (Finance & Planning Director from July 03)	50 - 55	50 - 55	0 - 2.5	0 - 2.5	0 - 5	0 - 5	56	45	8
<b>John Deery</b> (Finance & Support Services Director until July 03)	N/A	55 - 60	N/A	0 - 2.5	N/A	5 - 10	N/A	87	N/A
<b>Grace Nesbitt</b> (Human Resource Director from Sept 04)	45 - 50	N/A	2.5 - 5	N/A	15 - 20	N/A	244	N/A	59
<b>Pat Magee</b> (Human Resources Director acting until Sept 04)	45 - 50	45 - 50	0 - 2.5	0 - 2.5	15 - 20	15 - 20	243	215	15
<b>Tommy O'Reilly</b> (Business Development Director until March '05)	Consent to Disclose Withheld								

	Salary (as defined below)		Real increase in pension at age 60		Total accrued pension at age 60		CETV		Real increase in CETV
	31 Mar 05 £'000	31 Mar 04 £'000	31 Mar 05 £'000	31 Mar 04 £'000	31 Mar 05 £'000	31 Mar 04 £'000	31 Mar 05 £'000	31 Mar 04 £'000	31 Mar 05 £'000
John O'Neill (Business Development Director from March '05)	Consent to Disclose Withheld								
Dr Terry Dixon (Medical Director)	Consent to Disclose Withheld								
John Nevin (Working Age Director until Dec 04)	45 - 50	45 - 50	0 - 2.5	0 - 2.5	20 - 25	20 - 25	366	368	0
Anne Flanagan (Disability & Carers & Quality Director until Dec 04)	50 - 55	50 - 55	0 - 2.5	0 - 2.5	15 - 20	15 - 20	296	263	17
David McCurry (Benefit Security Director until Dec 04)	50 - 55	50 - 55	0 - 2.5	-	20 - 25	20 - 25	405	370	21
Andrew Smith (Non-Executive Director until June 04)	5 - 10	40 - 45	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. Director's remuneration in respect of Mr Andrew Smith includes out of pocket travel and subsistence expenses reimbursed to him.

## Cash Equivalent Transfer Value (CETV)

The 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. 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.

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## Pension

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). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

### (i) Classic Scheme

Benefits 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. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

### **(ii) Premium Scheme**

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 commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation.

Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

### **(iii) Classic Plus Scheme**

This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 broadly as per Classic.

All staff in service at 1 October 2002 will be given the option to join the Premium or Classic Plus arrangements. Pensions payable under Classic, Premium, and Classic Plus are increased in line with the Retail Price Index.

### **(iv) Partnership Pension Account**

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

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

	2004-05 £000	2003-04 £000
Depreciation	3,314	1,905
Permanent diminution	1,962	262
Loss on disposal of fixed assets	229	79
	<u>5,505</u>	<u>2,246</u>

#### 4.2 Other operating costs

	2004-05 £000	2003-04 £000
Service charges	3,385	3,048
Travel and subsistence	2,209	2,572
Staff training	676	836
Contracted services	33,916	29,712
Accommodation and related services	2,520	2,039
Rent and service charges	397	210
PFI Charges (Note 4.3)	2,872	2,872
Postage	2,547	3,024
Printing and stationery	2,364	3,102
Telecommunication	1,338	1,087
Computer and office running costs	2,086	3,675
Medical adjudication	3,514	3,459
Management consulting	525	2,763
Miscellaneous expenditure	3,270	3,156
Notional costs (note 4.4)	20,255	16,747
	<u>81,874</u>	<u>78,302</u>

#### 4.3 Operating leases and PFI Charges

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

	2004-05 £000	2003-04 £000
Land and buildings	316	123
Other operating leases	424	416
PFI Charges	<u>2,872</u>	<u>2,872</u>

During the year 2001-02 the Agency entered into a PFI agreement for the provision of IT hardware and software solutions in relation to the processing of a number of benefits. The anticipated total rentals payable are over a 10 year period. The rentals are charged to the operating cost statement over the period of the agreement. This agreement was renegotiated during 2003-04 resulting in a revised cost of £26.8m, the rentals being charged at £2.872m over the remaining eight years.

#### 4.4 Notional costs

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

	Note	2004-05 £000	2003-04 £000
Insurance	(a)	-	-
Rent		9,144	7,438
Audit fee	(b)	102	104
Other indirect charges & services	(c)	11,009	9,205
		<u>20,255</u>	<u>16,747</u>

Notes:

- The Agency takes out commercial insurance to cover third party risks associated with vehicles, owned or leased on the Agency's behalf, and for buildings leased on its behalf where insurance is a requirement of the lease. No other external insurance is effected against fire, explosion, common law, third party and similar risks. A notional charge, based on standard rates, as advised by the Department of Finance and Personnel, has been calculated to reflect the cost of insurable risks. Notional Insurance costs have been calculated to be £0.191m (2003-04 £0.191m). If included in the operating costs the deficit for the year would have been £3,482.035m (2003-04 £3,336.403m).
- The audit fee represents the cost for the audit of the financial statements carried out by the Northern Ireland Audit Office. There was no remuneration paid for non-audit work during the year.
- Other indirect charges and services are as detailed below:

	2004-05 £000	2003-04 £000
<b>Services provided and costs incurred by:</b>		
DSD headquarters on behalf of the Social Security Agency	1,200	793
Other departments	9,809	8,412
Total indirect charges and services	<u>11,009</u>	<u>9,205</u>

Other services and departments include telecommunications, personnel, training, finance and statistical services provided to the Agency by the Department of Finance and Personnel, accounting and other financial services provided to the Agency by the Department of Health, Social Services and Public Safety.

## 5.1 Analysis of Programme expenditure

Benefits funded by Consolidated Fund	Note	2004-05 £000	2003-04 £000
Benefits paid		1,739,270	1,654,782
Movement in provision for doubtful debt		1,187	2,639
Programme debt written off	5.2	5,070	3,622
Movement on CRU provision	13	75	19
Programme expenditure	6	<u>1,745,602</u>	<u>1,661,062</u>

Benefits funded by National Insurance Fund	Note	2004-05 £000	2003-04 £000
Benefits paid		1,508,672	1,454,216
Movement in provision for doubtful debt		(116)	241
Programme debt written off	5.2	830	581
Movement on CRU provision	13	(48)	2
Programme expenditure	7	<u>1,509,338</u>	<u>1,455,040</u>

Benefits funded by Social Fund	Note	2004-05 £000	2003-04 £000
Benefits paid		67,267	65,185
Movement in provision for doubtful debt		431	(88)
Programme debt written off	5.2	2,215	2,290
Movement on CRU provision		-	-
Programme expenditure	8	<u>69,913</u>	<u>67,387</u>

## 5.2 Bad debts written off

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

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	Note	2004-05 £'000	2003-04 £'000
<b>Non-contributory benefits</b>			
Disability benefit		568	517
Income support		3,467	2,756
Family benefits		7	1
Other	5a	1,028	348
		<u>5,070</u>	<u>3,622</u>
<b>Contributory benefits</b>			
Pension benefits		224	160
Incapacity benefits		520	333
Other	5b	86	88
		<u>830</u>	<u>581</u>
<b>Social Fund</b>			
Funeral grants		2,063	2,123
Other	5c	152	167
		<u>2,215</u>	<u>2,290</u>
Total		<u>8,115</u>	<u>6,493</u>

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

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

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



## 6. Benefit expenditure paid from the Consolidated Fund

	2004-05			2003-04		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
<b>Non-contributory and means-tested benefits</b>						
- Pension benefits	15,646	-	15,646	3,060	-	3,060
- Disability benefits	861,532	-	861,532	818,312	-	818,312
- Industrial injuries benefits	25,103	-	25,103	24,620	-	24,620
- Income support for the elderly	4,734	-	4,734	124,858	-	124,858
- Pension Credit	278,387	-	278,387	114,028	-	114,028
- Family benefits	79	-	79	125	-	125
- Other						
<b>Income support - non-Pensioners and Jobseeker's allowance</b>						
- Income support - non-pensioners	487,426	(3,556)	483,870	490,560	(3,966)	486,594
- Jobseeker's allowance (income based)	72,252	(50)	72,202	85,357	(59)	85,298
Job grant	443	-	443	142	-	142
Consolidated Fund Extra Receipt due to Department *		(1,238)	(1,238)			
	<u>1,745,602</u>	<u>(4,844)</u>	<u>1,740,758</u>	<u>1,661,062</u>	<u>(4,025)</u>	<u>1,657,037</u>

\* This represents deductions made from benefits, for training allowances for prior years. This was paid over to SSA in 2004/05 and thus due back to the Department

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

	2004-05			2003-04		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
<b>Pension benefits</b>						
Retirement pension						
- basic element	963,993	-	963,993	924,543	-	924,543
- additional component	173,736	-	173,736	157,914	-	157,914
Christmas bonus	3,325	-	3,325	3,283	-	3,283
Widow's benefit						
- basic element	20,981	-	20,981	22,390	-	22,390
- additional component	5,478	-	5,478	5,940	-	5,940
- widow's payment	4,452	-	4,452	4,593	-	4,593
Unemployment, Invalidity and Sickness benefits	(8)	-	(8)	(38)	-	(38)
<b>Unemployment, Incapacity and other benefits</b>						
Jobseeker's Allowance - Contributions Based	12,429	(8)	12,421	14,509	(10)	14,499
Incapacity Benefit						
- basic element	308,527	-	308,527	304,746	-	304,746
- additional component	12,115	-	12,115	13,713	-	13,713
<b>Family benefits</b>						
Maternity Allowance	4,310	-	4,310	3,447	-	3,447
Guardian's Allowance and Child's Special Allowance	-	-	-	-	-	-
	<u>1,509,338</u>	<u>(8)</u>	<u>1,509,330</u>	<u>1,455,040</u>	<u>(10)</u>	<u>1,455,030</u>

## 8. Benefit expenditure paid from the Social Fund

	2004-05			2003-04		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
Funeral payments	2,457	-	2,457	2,020	-	2,020
Cold weather payments	6	-	6	620	-	620
Maternity payments	4,574	-	4,574	4,633	-	4,633
Community care payments	12,661	-	12,661	11,733	-	11,733
Winter fuel payments	49,910	-	49,910	48,120	-	48,120
Other-Budgeting loans, Crisis loans and Funeral payment transfers to GB	305	-	305	261	-	261
	<b>69,913</b>	-	<b>69,913</b>	<b>67,387</b>	-	<b>67,387</b>

## 9 Tangible fixed assets

	Land & Buildings & Property Improvements £000	Computer Equipment & Software £000	Furniture & Fittings £000	Office Equipment £000	Motor Vehicles £000	Total £000
<b>Cost or valuation</b>						
At 1 April 2004	14,824	15,524	363	715	5	31,431
Additions	25	612	-	34	-	671
Disposals	-	(1,071)	(3)	(133)	-	(1,207)
Revaluation	-	(3,037)	16	11	-	(3,010)
<b>At 31 March 2005</b>	<b>14,849</b>	<b>12,028</b>	<b>376</b>	<b>627</b>	<b>5</b>	<b>27,885</b>
<b>Depreciation</b>						
At 1 April 2004	253	3,899	316	544	4	5,016
Charge for year	398	2,829	13	74	-	3,314
Disposals	-	(864)	(3)	(111)	-	(978)
Depreciation on revaluation	-	(1,075)	14	9	-	(1,052)
<b>At 31 March 2005</b>	<b>651</b>	<b>4,789</b>	<b>340</b>	<b>516</b>	<b>4</b>	<b>6,300</b>
<b>Net book value</b>						
<b>At 31 March 2005</b>	<b>14,198</b>	<b>7,239</b>	<b>36</b>	<b>111</b>	<b>1</b>	<b>21,585</b>
At 31 March 2004	14,571	11,625	47	171	1	26,415

The net increase in asset values arising from the indexation of gross current replacement cost together with the related depreciation has been transferred to the revaluation reserve (note 14.2). The impairment in value of computer equipment and software of £1.962m (2003-04 £0.262m) has been taken to the operating cost statement for the year. The NBV at 31st March 2005 comprises only owned assets. The NBV of Land and Buildings is made up entirely of freehold.

Analysis of capital expenditure	2004-05	2003-04
Additions per Fixed Asset note	671	8,655
Opening Fixed Asset Accrual	14	14
Closing Fixed Asset Accrual	(103)	(14)
<b>Total Cash Payments per Cashflow Statement</b>	<b>582</b>	<b>8,655</b>

## 10. Debtors

### 10.1 Amounts falling due within one year

Administration	Note	2004-05 £000	2003-04 £000
Prepayments		5,476	3,607
Other debtors	10a	1,270	86
		<u>6,746</u>	<u>3,693</u>

Programme	Note	2004-05			2003-04		
		Gross Debtors £000	Provision for doubtful debt £000	Net Debtors £000	Gross Debtors £000	Provision for doubtful debt £000	Net Debtors £000
<b>Benefit overpayments</b>							
Contributory benefits		345	(7)	338	374	(50)	324
Non-contributory benefits		4,233	(390)	3,843	3,738	(693)	3,045
Social Fund		17	-	17	12	-	12
<b>Benefit prepayments</b>							
Contributory benefits		8,398	-	8,398	7,631	-	7,631
Non-contributory benefits		6,906	-	6,906	6,728	-	6,728
<b>Social Fund loans</b>							
Funeral loans		72	-	72	68	-	68
Other loans	10b	27,357	-	27,357	26,871	-	26,871
Other programme debtors	10c	1,157	(375)	782	1,278	(266)	1,012
		<u>48,485</u>	<u>(772)</u>	<u>47,713</u>	<u>46,700</u>	<u>(1,009)</u>	<u>45,691</u>
<b>Total amounts falling due within one year</b>				<u>54,459</u>			<u>49,384</u>

- 10a Other debtors include an amount of £1.172m in relation to suspense accounts for the year ended 31 March 2005. These suspense account balances are included within the Agency accounts for the first time in 2004-05. Previously these suspense account balances were consolidated within the DSD Resource Accounts.
- 10b Other Social Fund loans consist of: Budgeting Loans £20.672m (2003-04 £20.666m) and Crisis Loans £6.685m (2003-04 £6.205m).
- 10c Other programme debtors consist of: Child Support Agency £0.289m (2003-04 £0.361m), Overseas Governments £0.084m (2003-04 £0.056m), Compensation Recovery Unit £0.714m (2003-04 £0.737m), Bad Debt Provision £0.375m (2003-04 £0.266m) and others £0.07m (2003-04 £0.124m).

## 10.2 Amounts falling due after more than one year

Administration	2004-05 £000	2003-04 £000
Prepayments	-	-
Other debtors	-	-
	<u>-</u>	<u>-</u>

Programme	Note	2004-05			2003-04		
		Gross Debtors £000	Provision for doubtful debt £000	Net Debtors £000	Gross Debtors £000	Provision for doubtful debt £000	Net Debtors £000
<b>Benefit overpayments</b>							
Contributory benefits		2,079	(763)	1,316	2,034	(835)	1,199
Non-contributory benefits		39,592	(16,650)	22,942	34,968	(15,271)	19,697
Social Fund		-	-	-	-	-	-
<b>Benefit prepayments</b>							
Contributory benefits		-	-	-	-	-	-
Non-contributory benefits		-	-	-	-	-	-
<b>Social Fund loans</b>							
Funeral loans		4,817	(2,667)	2,150	4,272	(2,278)	1,994
Other loans	10d	17,270	(222)	17,048	16,240	(179)	16,061
Other programme debtors		-	-	-	-	-	-
		<u>63,758</u>	<u>(20,302)</u>	<u>43,456</u>	<u>57,514</u>	<u>(18,563)</u>	<u>38,951</u>
<b>Total amounts falling due after more than one year</b>				<u>43,456</u>			<u>38,951</u>

10d Other Social Fund loans consist of: Budgeting Loans £9.493m (2003-04 £9.100m) and Crisis Loans £7.777m (2003-04 £7.140m).

### 10e Potential debt- Compensation Recovery Unit (SSA)

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

Certificates of recoverable benefit are issued upon request to compensators (primarily insurance companies) where a compensation claim is made as a result of an accident or injury. Until there is acceptance of liability by the compensator and a payment made for compensation, the Agency has no right to demand recovery of benefit payments made as a consequence of this accident or injury. Therefore, no acknowledgement is made in the Agency's Balance Sheet, apart from those cases that have been settled but where the recoverable benefit element has not yet been received.

As an indication of the cash generated from this income stream for the Agency for the year to 31 March 2005, £7.899m (2003-04 £7.557m), on an annualised basis has been included in the Operating Cost statement as a reduction to Gross Expenditure. There is no information to suggest that this level of cash generation will differ significantly in the next financial year.

### Potential debt - Debt Management Unit (SSA)

Vote and NIF overpayment debt in the Debt Management Unit is recognised on the Balance Sheet when it has been adjudicated upon. If debt is determined to be irrecoverable, this is immediately written off, while recoverable debt becomes part of the outstanding debtor balance.

At the year end cases exist in the adjudication sections of district offices which could potentially become recoverable debt. An estimate of the recoverable debt element of the unadjudicated cases at 31 March 2005 is £6.358m (2003-04 £1.135m).

## 11. Cash with paying agents

	Note	2004-05 £000	2003-04 £000
Post Office Ltd	11a	-	12,774
Alliance & Leicester Commercial Bank plc	11b	22,507	-
		<u>22,507</u>	<u>12,774</u>

11a There is no cash with Post Office Ltd as the use of order books was abandoned in 2004-05.

11b For 2003-04, the balance held with the Alliance & Leicester Commercial Bank plc (ALCB plc) was a balance within creditors as per Note 12.

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

Administration	Note	2004-05 £000	2003-04 £000
Accruals		5,313	3,704
Other taxation and social security	12a	4	7
Other creditors	12b	620	2
		<u>5,937</u>	<u>3,713</u>

Programme	Note	2004-05 £000	2003-04 £000
<b>Benefit accruals</b>			
Contributory benefits		20,768	17,917
Non-contributory benefits		22,411	21,411
Social Fund		102	31
Encashment control		4,574	14,170
Alliance & Leicester Commercial Bank plc	11	-	5,157
Other programme creditors	12c	3,355	2,889
		<u>51,210</u>	<u>61,575</u>
<b>Total amounts falling due within one year</b>		<u>57,147</u>	<u>65,288</u>

12a For 2004-05, this amount represents £0.004m of suspense account balances which are included within the Agency accounts for the first time.

12b For 2004-05, Other creditors include £0.582m for suspense account balances included within the Agency accounts for the first time.

Previously the above suspense account balances (12a and 12b) were consolidated within the DSD Resource Accounts.

12c Other programme creditors consist of Inland Revenue £0.287m (2003-04 £0.110 m), Inter-Govt £0.044m (2003-04 £0.035m), DEL £0.230m (2003-04 £0.543m), Health Service £0.600m (2003-04 £0.588m), Overseas Governments £0.014m (2003-04 £0.014m), Third Party £1.914m (2003-04 £1.317m), and Sundry £0.266m (2003-04 £0.282m).



### 13. Provisions for liabilities and charges

	2004-05			2003-04		
	Administration £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Balance as at 1 April	559	1,287	1,846	601	1,257	1,858
Provided in year	788	20	808	109	30	139
Provision not required written back	(61)	-	(61)	-	-	-
Provision utilised in the year	(312)	-	(312)	(151)	-	(151)
Balance as at 31 March	<u>974</u>	<u>1,307</u>	<u>2,281</u>	<u>559</u>	<u>1,287</u>	<u>1,846</u>

**Administration provisions include:**

- (i) Early departure costs £117k (2003-04: £75k).
- (ii) Personal injury cases £565k (2003-04: £122k).
- (iii) Equal opportunity cases £292k (2003-04: £362k).

**Programme provisions include:**

- (i) Compensation Recovery Unit cases appealed and unprocessed £1,307k (2003-04: £1,278k). The Agency must meet the cost of Compensation Recovery Unit cases that are successfully appealed. At any point in time, there are a certain number of cases for which appeals have not been processed. The Agency provides for the estimated adjustment to recoveries in respect of unprocessed appeals.

## 14. Reconciliation of movement in taxpayers' equity

### 14.1 General fund

	Note	2004-05			2003-04		
		Administration £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Balance as at 1 April		16,747	34,554	51,301	5,773	42,052	47,825
Net cash inflow from financing	15.2	134,595	3,346,606	3,481,201	148,963	3,164,348	3,313,311
Net cost of operations		(160,112)	(3,321,732)	(3,481,844)	(155,417)	(3,180,795)	(3,336,212)
Notional costs	4.4	20,255	-	20,255	16,747	-	16,747
Cost of capital		842	1,731	2,573	681	1,341	2,022
Transfer of Child Benefit		-	-	-	-	7,608	7,608
Balance as at 31 March		<u>12,327</u>	<u>61,159</u>	<u>73,486</u>	<u>16,747</u>	<u>34,554</u>	<u>51,301</u>

### 14.2 Revaluation reserve

	2004-05		2003-04	
	£000	£000	£000	£000
Balance as at 1 April	-	9,089	-	4,535
Surplus on revaluation of gross current replacement cost	27	-	3,696	-
Deficit previously unrecognised taken to operating cost statement	-	-	-	-
Charge for current cost backlog depreciation on revaluation	(23)	-	858	-
		4		4,554
Balance as at 31 March		<u>9,093</u>		<u>9,089</u>

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

## 15. Notes to the Cash Flow Statement

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

	2004-05			2003-04		
	Administration £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Cost of operations before cost of capital	(159,270)	(3,320,001)	(3,479,271)	(154,736)	(3,179,454)	(3,334,190)
Depreciation	3,314	-	3,314	1,905	-	1,905
Loss on disposal of fixed assets	229	-	229	79	-	79
Notional costs (note 4.4)	20,255	-	20,255	16,747	-	16,747
Permanent diminution of fixed assets	1,962	-	1,962	262	-	262
(Increase)/decrease in debtors and prepayments	(2,999)	(6,527)	(9,526)	(3,025)	923	(2,102)
(Increase)/decrease in paying agents	-	(9,733)	(9,733)	-	22,824	22,824
Increase/(decrease) in creditors and accruals	2,081	(10,365)	(8,284)	(1,498)	(16,279)	(17,777)
Increase/(decrease) in provisions	415	20	435	(42)	30	(12)
Transfer of Child Benefit	-	-	-	-	7,608	7,608
Net cash outflow from continuing operating activities	(134,013)	(3,346,606)	(3,480,619)	(140,308)	(3,164,348)	(3,304,656)

### 15.2 Reconciliation of financing

	2004-05			2003-04		
	Administration £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Request for Resources A	134,595	1,819,179	1,953,774	148,963	1,607,964	1,756,927
National Insurance Fund	-	1,453,649	1,453,649	-	1,487,285	1,487,285
Social Fund	-	73,778	73,778	-	69,099	69,099
Net cash inflow from financing	134,595	3,346,606	3,481,201	148,963	3,164,348	3,313,311

There were no reconciling items arising from the 2003-04 Accounts.

### 15.3 Changes in cash and cash equivalents

Due to funding requirements it is Departmental policy to hold all operational bank accounts, including those used by the Agency, centrally. Thus no 'bank balance' is shown separately in the Agency's accounts. The Departmental bank balance is disclosed in the Departmental Resource Accounts.

## 15.4 Non cash transactions

	2004-05			2003-04		
	Administration £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
Depreciation	3,314	-	3,314	1,905	-	1,905
Permanent diminution of fixed assets	1,962	-	1,962	262	-	262
Loss on disposal of fixed assets	229	-	229	79	-	79
Notional costs (note 4.4)	20,255	-	20,255	16,747	-	16,747
Cost of capital	842	1,731	2,573	681	1,341	2,022
<b>Total non-cash transactions</b>	<b>26,602</b>	<b>1,731</b>	<b>28,333</b>	<b>19,674</b>	<b>1,341</b>	<b>21,015</b>

## 15.5 Movements in working capital other than cash

	2004-05			2003-04		
	Administration £000	Programme £000	Total £000	Administration £000	Programme £000	Total £000
(Increase)/decrease in debtors and prepayments	(2,999)	(6,527)	(9,526)	(3,025)	923	(2,102)
(Increase)/decrease in paying agents	-	(9,733)	(9,733)	-	22,824	22,824
Increase/(decrease) in creditors and accruals	2,081	(10,365)	(8,284)	(1,498)	(16,279)	(17,777)
Increase/(decrease) in provisions	415	20	435	(42)	30	(12)
	<b>(503)</b>	<b>(26,605)</b>	<b>(27,108)</b>	<b>(4,565)</b>	<b>7,498</b>	<b>2,933</b>

## 15.6 Transfer of Child Benefit

The Social Security Agency had responsibility for the payment of Child Benefit, Lone Parent Premium, and Guardian's Allowance until 31 March 2003. With effect from 1 April 2003 the responsibility for the payment of these benefits was transferred to the Inland Revenue (Treasury). In addition the Agency staff previously responsible for the administration of these benefits were also transferred to Inland Revenue on the same date. This transfer of function was a compulsory transfer sanctioned under the Tax Credits Act 2002. A similar transfer of function took place at the same time between the Department for Work and Pensions (DWP) in Great Britain and the Inland Revenue.

As a result of the transfer of functions at the start of the financial year the respective balances relating to these benefits in the accounts at 31 March 2003 were transferred to the Inland Revenue for no consideration. The aggregate value of balances transferred was £7.608m.

Accordingly these balances have been written off to the General Fund in the 2003-04 financial year (see Note 14.1) and the required adjustment shown in the Agency's Cash Flow Statement for the year ended 31 March 2004.

## 16. Capital commitments

There were no capital commitments contracted for but not provided at 31 March 2005 (2004: £Nil).

## 17. Commitments under leases

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

	2004-05 £000	2003-04 £000
<b>Obligations under operating leases comprise:</b>		
<b>Land and Buildings</b>		
Within one year	-	1
Between two and five years	26	28
After five years	279	279
	<u>305</u>	<u>308</u>
<b>Other</b>		
Within one year	5	50
Between two and five years	181	51
After five years	-	-
	<u>186</u>	<u>101</u>

## 18. Commitments under PFI contracts

The payments to which the Agency is committed during 2004-05, analysed by the period in which the commitment expires, is as follows.

	2004-05 £000	2003-04 £000
Within one year	-	-
Between two and five years	-	-
After five years	2,872	2,872
	<u>2,872</u>	<u>2,872</u>

See note 4.3 for additional disclosure.

## 19. Contingent liabilities

Following the suspension of Deficiency Notices from 1996-97 there is a significant number of people who are unaware of a possible shortfall in the level of their state pension. This was highlighted in 2003-04 and the Reinstatement of Deficiency Notices project was created to address this issue. The project intends to notify those pensioners who reached State Pension age since 6 April 1997 who may be able to improve their basic State Pension, or qualify for a basic State Pension, by paying voluntary class 3 National Insurance contributions. The costs attributable to restoring customers to the position they would have been in but for maladministration cannot be measured with sufficient reliability to enable an accurate value to be determined nor is it wholly clear who is responsible for incurring these costs. However, the Agency considers that an approximate estimate of net arrears of £735k and an associated interest payment of approximately £55k provides an indication of the amount likely to be due.

## 20. Key corporate financial targets

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

### Budget target table

Budget type	Year	Business Plan Target £000	Revised Target £000	Outturn £000
Administration and other current	2004-05	190,461	179,917	176,670
Capital	2004-05	11,049	1,950	671
Non Cash	2004-05	7,531	7,132	6,511
Benefits paid from the Northern Ireland Consolidated Fund	2004-05	1,688,634	1,845,791	1,745,602
Benefits paid from the Northern Ireland National Insurance Fund	2004-05	1,562,600	1,564,905	1,509,338
Benefits paid from the Social Fund	2004-05	71,816	73,778	69,913

## 21. Fees and charges information

Financial objective: Full cost recovery

Name of service: Mortgage Interest Direct (Administration charges)

	2004-05 £000	2003-04 £000
Full Cost	(148)	(645)
Income	164	151
Surplus/(Deficit)	16	(494)

Income from pre - set transaction charges was sufficient to cover the costs incurred in administering the mortgage interest direct scheme during 2004-05.

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

## 22. Related party transactions

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

During the year, the Agency has taken part in various material transactions with the parent department and also with other bodies where DSD is regarded as the parent department. Examples include the Child Support Agency, Housing Division and the Urban Regeneration Group as well as Independent Statutory Bodies.

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

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

## 23. Payments to incorrect Post Office Card Accounts (POCA's)

Benefit expenditure has, on occasion, been paid into incorrect Post Office Card Accounts since they were established in April 2003. This is due to incorrect customer bank details being stored on the Heritage Benefit Systems for a relatively small number of customers. Corrective action is instigated as soon as, such errors become apparent.

At 31st March 2005, an amount of approximately £400k was outstanding in relation to 5,000 payments (affecting 2,000 customers) being made to incorrect card accounts. Of this £400k, authority has been received from POCA's parent bank to withdraw £38k from customer bank accounts. A number of other customers have also given authority to recoup a further £32k.

The Agency is pursuing recovery of the above amounts, and a Ministerial steer which will be provided to the Department of Work and Pensions (which is experiencing similar problems) is expected to have an impact on how the Agency will proceed with this matter.

At present, because the intention is to continue with recovery, no actual loss has occurred. However, it is possible that a proportion of the above amount will be formally classified as a loss in the 2005-06 accounts (or in subsequent years) and so this information is included to provide a more transparent view of the Agency's year end position.

# Report by the Comptroller and Auditor General for Northern Ireland





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## Part 1: Introduction and Executive Summary

### Introduction

- 1.1 The Social Security Agency is an Executive Agency within the Department for Social Development (DSD).
- 1.2 In 2004-05, the Agency accounted for expenditure of £3.3 billion on social security benefits, which includes £1.74 billion on non – contributory social security benefits, £1.51 billion on contributory social security benefits and £70 million on social fund benefit expenditure.
- 1.3 This report:
  - summarises the results of my audit and sets out the reasons for my qualified audit opinion; (See paragraph 1.4 to 1.6);
  - sets out the background of the Agency, its internal arrangements for monitoring and reporting, and the Agency’s decision making and accuracy findings (Part 2);
  - reviews the results of my audit of expenditure on non-contributory and contributory social security benefits and social fund benefits administered by the Social Security Agency (Part 3); and
  - examines the reasons for the uncertainties over certain debtor balances (Part 4).

### Executive Summary

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

- 1.4 I have qualified my audit opinion on the account because of:
  - significant levels of estimated fraud and error in certain social security benefits; and
  - limitations in the evidence available to support significant social security programme debtor balances.

#### Fraud and Error in Social Security Benefits

- 1.5 The Agency’s estimate of fraud and error, which includes both customer fraud and error and the Agency’s internal error, was £107 million (3.2 per cent of all benefit expenditure) for 2004-05. This estimate is based on a rolling programme of reviews.

#### Debtor Balances

- 1.6 As a result of weaknesses in the Agency’s audit trails mainly arising from deficiencies in the interaction between the Agency’s Programme Accounting Computer System and its various benefit information systems, there is significant uncertainty over the accuracy and completeness of these amounts which total around £46 million gross.

#### Conclusion

- 1.7 I have qualified my audit opinion on the Social Security Agency Account due to the significant level of estimated fraud and error in social security benefits (see paragraph 1.5). I have assessed whether the impact of the uncertainty over significant debtor balances results in the balance sheet giving a misleading view (see paragraph 1.6) and have concluded the impact is that the net assets of the Agency may be significantly misstated.

## Part 2: Background to the Agency

### Introduction

- 2.1 The Social Security Agency was established as an Executive Agency in July 1991 under the “Next Steps” Initiative. The Agency’s principal activities are outlined in the Foreword to the Accounts.
- 2.2 This part of the report provides details of the:
- accounting arrangements for the different types of social security benefit expenditure;
  - Agency’s internal arrangements for monitoring and reporting; and
  - Agency’s decision making and caseload accuracy findings for 2004-05.

### Accounting arrangements

- 2.3 This is the second year that the Agency accounts include both administrative and programme expenditure. These Agency accounts will also form part of the 2004-05 DSD Resource Account.
- 2.4 In 2004-05 the Agency accounted for expenditure of £3.3 billion on social security benefits, which includes £1.74 billion for benefits funded by the Northern Ireland Consolidated Fund, £1.51 billion for benefits funded from the Northern Ireland National Insurance Fund and £70 million for benefits funded from the Social Fund.
- 2.5 The Northern Ireland National Insurance Fund provides for expenditure on benefits and allowances where individuals have paid sufficient National Insurance contributions and met other qualifying conditions. The Agency is responsible for administering the contributions – based benefits paid to individuals on behalf of the Inland Revenue. A separate White Paper Account will be produced for the 2004-05 Northern Ireland National Insurance Fund and the National Audit Office (NAO) will certify and report on the Account in due course.
- 2.6 The Social Fund provides discretionary and regulated grants and interest free loans to meet the needs, in certain circumstances, of customers and people on low income. A separate White Paper Account will also be produced for the 2004-05 Social Fund which I will certify and report on in due course.

### Agency arrangements for monitoring and reporting on decision making standards and payment accuracy

- 2.7 The Chief Executive of the Social Security Agency, through the Standards Assurance Unit (the Unit), is responsible for monitoring and reporting on the standards of decision – making. He also reports on the caseload accuracy for all major benefits. To oversee the monitoring arrangements and to provide independent assurance on the Unit’s findings, a joint Standards Committee for the Social Security and Child Support Agencies was set up in 1999. The Department for Social Development is required by legislation to prepare a report on the Committee’s findings on standards and a copy of the 2004-05 report, due for publication later in 2005, will be placed in the Northern Ireland Assembly library. The Committee examines regular reports from the Standards Assurance Unit.
- 2.8 As in previous years, the Unit carried out three exercises to establish the standard of decision making and the level of loss through fraud and error within the benefit system. The exercises are:
- Decision Making and Caseload Accuracy – The Unit staff annually examine a large sample of cases from each Social Security benefit and report on the standard of decision making and caseload accuracy within the Agency;
  - Financial Accuracy – The Unit reports on the financial accuracy of various benefits. This is undertaken by staff as a continuous programme of measurement of the level of internal

Agency error in the main social security benefits, with performance being measured against targets in the Agency's Annual Report; and

- Benefit Review - The Agency has established a benefit review process to provide a continuous rolling programme of measurement based on an in-depth examination of the circumstances of random samples of claimants, to determine the extent of claimant fraud and error in various social security benefits (i.e. a measurement of total error including customer fraud and error and internal Agency error).

2.9 The Agency has provided me with the results of the monitoring findings, in comparison with its internal benchmark standards, in relation to the standard of decision making and caseload accuracy for 2004-05. The accuracy check looks at all the evidence, including retrospective evidence that is available to substantiate the amount of benefit awarded while the decision making check focuses on the quality of the decision making process taking account of evidence available at the time the decision is made.

## Decision Making and Caseload Accuracy Findings

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

**Figure 1: Decision Making and Caseload Accuracy 2004-05**

	Decision Making			Caseload Accuracy		
	Benchmark Standard	Performance		Benchmark Standard	Performance	
	2004-05	2004-05	2003-04	2004-05	2004-05	2003-04
Income Support	92%	89%	90%	93%	92%	93%
Jobseeker's Allowance	95%	93%	95%	95%	96%	96%
Disability Living Allowance	90%	86%	88%	90%	86%	88%
Pension Credit *	92%	79%	-	92%	85%	-

\* Pension Credit was introduced during 2003-04 and was not subject to the caseload accuracy and decision making process until 2004-05.

Source: Figures provided by the Social Security Agency

## Income Support, Jobseeker's Allowance and Disability Living Allowance

2.11 I note that the only standard the Agency achieved was Jobseeker's Allowance caseload accuracy, which is at the same level of performance as the previous year. I also noted that decision making performance on these three benefits, and Income Support and Disability Living Allowance caseload accuracy have decreased from the previous year. It is my view that error rates of 5 to 10 per cent continue to be unacceptably high. I made a number of recommendations regarding levels of decision making in respect of Disability Living Allowance in my recent report "Decision Making and Disability Living Allowance Report (HC 43 NIA 185/03)" which was published in June 2005.

2.12 The Agency told me that the performance indicated in Figure 1 cannot be isolated by comparing two year's data and that if comparisons were made over the last five years, these would show a consistent pattern of improvement across a range of benefits. In addition, the Agency has indicated that the performance this year should be reviewed in the context of the operational difficulties it faced, such as significant manpower reductions resulting from Budget 2004 and

also, during the same period, massive disruption due to the Northern Ireland Civil Service pay dispute.

### Pension Credit

- 2.13 Pension Credit was introduced on 6th October 2003 and has replaced Minimum Income Guarantee (Income Support for people aged 60 and over). 2004-05 is the first full year of payments for this benefit and it is also the first time it has been subject to the decision making and caseload accuracy process. Whilst I understand that any new benefit will have initial difficulties as staff become familiar with the rules of administration, I am concerned with the levels of performance achieved for both caseload accuracy and decision making, that is 85 and 79 per cent respectively against a target of 92 per cent in each case.
- 2.14 The Agency told me that the challenges of administering this new benefit with complex rules were compounded by high levels of inexperience among staff and a higher than anticipated volume of Pension Credit applications. This resulted in significant backlogs of work. The Pension Centre was also affected by the Civil Service pay dispute with over 3000 days processing lost due to industrial action. During 2004-05 the Agency told me it implemented a recovery plan and at the end of the financial year backlogs had been reduced from 6500 cases to less than 50. Added to this systems and structures were established to improve workflows and the quality of processing, and these steps have already shown tangible improvements. Early indicators of the improvements are borne out by the achievement of 95.4 per cent financial accuracy against a target of 95 per cent for 2004-05. The Agency recognises the need to further improve the quality of decision making and caseload accuracy and has taken steps to enhance and consolidate the skills and experience of staff. These steps include the introduction of smaller processing teams to increase checking levels, increasing the training consolidation period, targeting high risk cases, improving management information to provide more detail on team and individual performance, learning from complaints and the introduction of a dedicated resource to provide team and one-to-one learning.
- 2.15 I intend to further review the performance levels for this benefit next year and hope to see significant improvements.

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

### Introduction

- 3.1 This part of my report sets out the results of my audit of the following expenditure:
- non-contributory and means tested social security and social fund benefits expenditure administered by the Social Security Agency; and
  - contributory social security benefits administered by the Social Security Agency on behalf of the Northern Ireland National Insurance Fund.
- 3.2 In 2004-05 the Agency paid £3.3 billion on Social Security benefits including Income Support £489 million, Jobseeker's Allowance £85 million, Disability Living Allowance £550 million, Attendance Allowance £187 million, Carer's Allowance £85 million, Pension Credit £278 million, Retirement Pension & Bereavement Benefits £1,172 million, Incapacity Benefit £321 million and Social Fund £70 million. My audit of this expenditure examined the work undertaken by the Agency to establish the level of loss through fraud and error within the benefit system.

### Audit approach

- 3.3 As noted in Part 2 of this report, the Agency's Standards Assurance Unit examines statistical samples of all benefit awards on a continuous basis. From these samples they are able to monitor the accuracy of payments made, the quality of decision making and estimate the gross monetary value of error. The Unit also completes a programme of benefit reviews which are designed to produce a reasonable estimate of the level of fraud and error in benefit awards.
- 3.4 As part of our audit work in this area my staff examined and reperformed a sample of the Unit's non – contributory and social fund case work during the year for both the caseload accuracy and decision making and the benefit review exercises. I can report that I am content that the work undertaken continues to be of good standard and the results produced by the Unit are both accurate and complete.
- 3.5 The benefit review reports give an estimate, on a rolling basis, of the levels of fraud and error including both customer fraud and error and internal Agency error. The information included within benefit review reports enables the Agency to consider how effective their processes have been at addressing the levels over time. As explained at paragraph 2.8, the Agency also carries out financial accuracy exercises which estimate levels of internal Agency error. No new benefit review reports were completed for 2004-05 in time for the Agency's Annual Report and therefore it is difficult for me to assess recent changes in the level of overall fraud. The Agency has told me that the completion of the current programme of benefit review reports has been delayed due to a need to fundamentally review the overall approach to the measurement of fraud and error and to allow concerns around the duplication of the calculation of internal Agency error and financial accuracy information to be addressed. I am disappointed that I have not had an opportunity to consider the 2003-04 Disability Living Allowance Benefit Review which the Agency previously told me would be available in 2004. In this case, the Agency is seeking to amend the methodology used in estimating the level of fraud and error. I understand these benefit reviews will be available before the end of 2005 and I may decide to report separately depending on the significance of the results.
- 3.6 I have noted in paragraph 2.5 that the Agency administers contributory benefit expenditure on behalf of the Inland Revenue. As part of their work on the Northern Ireland National Insurance Fund, NAO also examine and reperform a sample of contributory benefit cases and have indicated that they consider the work of the Unit to be of a good standard.

## Total levels of estimated fraud and error

- 3.7 In order to assist me in determining my opinion on the Agency's accounts, I have prepared (see Figure 2 below) an estimate of the total level of fraud and error for 2004-05 which indicates a level of £107 million. Due to the unavailability of benefit reviews for 2004-05, I have used the latest available benefit review figures. For those benefits that do not have a recent benefit review, I have used the latest financial accuracy figures.
- 3.8 The level of fraud and error of £107 million represents 3.2 per cent of total benefit expenditure for the year, indicating a small decrease from the 3.4 per cent of total benefit expenditure reported in 2003-04. I have not included the estimated internal Agency error of £12.7 million for Pension Credit reported by the 2004-05 financial accuracy process as the fraud and error amount included for Income Support in 2004-05 was the 2003-04 Benefit Review figure (due to the absence of Benefit Review reports as explained in paragraph 3.5) and would therefore include an element of Income Support for the Elderly which Pension Credit on the whole replaced. The level of double counting of internal financial error is not known.
- 3.9 The following issues should be taken in to account when evaluating the estimated level of fraud and error of £107 million (see Figure 2):
- no value has been included for the level of error on Pension Credit for the reasons noted in paragraph 3.8 above;
  - the absence of recent benefit reviews for Pension Credit, Retirement Pension & Bereavement and Incapacity benefits restricts the fraud and error figures referred to in Figure 2 below to only internal Agency amounts. Therefore, this prevents me from considering any potential external Agency fraud and error levels for these benefits; and
  - the absence of recent benefit reviews for Income Support, Jobseeker's Allowance, Disability Living Allowance and Carer's Allowance as explained in paragraph 3.5 above.
- 3.10 The Agency advised me that its Benefit Review process has a more comprehensive programme than that employed by the Department of Work and Pension (DWP). It noted that DWP has, in the past, concentrated its benefit review process on Income Support and Jobseeker's Allowance and no other reviews had been carried out on a regular basis.

**Figure 2: Estimated level of fraud and error 2004-05**

	Benefit	2004-05 £million	2003-04 £million
Non-contributory	Income Support	30.8*	30.8
	Jobseeker's Allowance	9.6*	9.6
	Disability Living Allowance	41.7*	41.7
	Attendance Allowance	5.7**	3.6 **
	Carer's Allowance	7.3*	7.3
National Insurance Fund Contributory	Retirement Pension & Bereavement Benefits	4.7**	10.5 **
	Incapacity Benefit	5.7**	3.6 **
Social Fund	Payments, grants and loans	1.5**	1.2 **
	<b>Total (excluding pension credit)</b>	<b>107.0</b>	<b>108.3</b>
	<b>% of benefit expenditure (excluding pension credit)</b>	<b>3.2%</b>	<b>3.4%</b>
Non-contributory	Pension Credit ***	12.7**	-

\* Benefit Review figures reported from previous years – no new Benefit Reviews completed during 2004-05 (see paragraph 3.5)

\*\* Financial Accuracy figures – internal Agency error only, i.e. does not include external fraud and error (see paragraph 3.7)

\*\*\* Pension Credit was introduced during 2003-04 and was not subject to the financial accuracy process until 2004-05.

Source: Figures provided by the Social Security Agency.

- 3.11 I am concerned that the overall levels of fraud and error have remained above 3 per cent despite the considerable efforts and resources committed by the Agency to address fraud and error, and, it is my view that these levels are unacceptably high. I note that losses have decreased, albeit marginally, and would urge the Agency to continue its efforts to reduce losses further. The Northern Ireland Affairs Committee has also raised concerns on the high levels of benefit fraud and error. In its report on the Northern Ireland Departments' 2002-03 Resource Accounts,<sup>1</sup> the Committee stated, "We are disappointed that the Department's efforts to improve performance have not resulted in significant improvements. We expect the government to put in place effective measures to ensure that the present unacceptable haemorrhage of public funds is stemmed." The Agency indicated that the current level of fraud and error of 3.2 per cent is a reduction of 35 per cent from 2002-03 when the level of fraud and error was 4.9 per cent. The Agency noted that these results indicated that progress had been made.
- 3.12 In response to the reported high levels of fraud and error the Agency has told me that a review of the current benefit security strategy has recently concluded and it is anticipated that its recommendations will include continuing with and reinforcing the current comprehensive regime of Programme Protection Plans across all benefits.
- 3.13 Furthermore, the Agency has told me that benefit review is not necessarily the best method of establishing levels of fraud and error for all benefits. The Agency believes it is an intrusive measure and the approach to it needs to be proportionate to the risk. The Agency noted that it is developing a new strategy on benefit reviews (see paragraph 3.5 above) which will be completed by November 2005 at which time NIAO will be consulted over the proposed new approach.

## Financial Accuracy

- 3.14 Figure 3 below indicates the total estimated level of internal Agency error reported by the Agency's Financial Accuracy process. This process is a continuous programme of measurement of the level of internal Agency error in the main social security benefits. Figure 3 also contains the estimated monetary value of error and the financial accuracy correctness as a percentage of expenditure for each benefit and the targets set by the Agency for the main benefits.
- 3.15 The 2004-05 Financial Accuracy programme has indicated an estimated level of internal error of £67.1 million. Although there has been no increase in the percentage of error from 2003-04, I am concerned by the level of internal Agency errors as this type of error is within the Agency's control and significant resources have been committed to reducing these errors. I would expect to see a decreasing trend when I consider these figures during my 2005-06 audit.
- 3.16 Figure 3 indicates that six financial accuracy targets covering the major benefits were set by the Agency. In 2004-05, only two of these targets were achieved. The Agency notes that it set the financial accuracy targets at very high levels for 2004-05 increasing the targets for Income Support, Jobseeker's Allowance and Incapacity Allowance from 95 per cent in 2003-04 to 98.5 per cent in 2004-05. However, I noted that of these benefits only Jobseeker's Allowance increased its financial accuracy performance from 2003-04. I asked the Agency to comment on these results. The Agency told me that it considers an overall error rate of only 2% to be a reasonable achievement given the difficulties it faced last year due to the protracted civil service pay dispute. However the Agency indicated that it is not complacent and has set even more stretching targets for financial accuracy for the 2005-06 year and has drawn up service improvement plans to underpin their achievement.

<sup>1</sup> HC 173 Northern Ireland Departments' 2002-03 Resource Accounts – Third Report of Session 2004-05.



**Figure 3: Internal Agency Financial Accuracy**

Benefit	2004-05 Monetary Value of Error £million	2004-05 Financial Accuracy correctness as a % of expenditure	2004-05 Target	2003-04 Monetary Value of Error £million	2003-04 Financial Accuracy correctness as a % of expenditure	2003-04 Target
<b>Non-contributory</b>						
Income Support	11.0	97.8%	98.5%	10.1	97.9%	95.0%
Jobseeker's Allowance	1.6	98.4%	98.5%	1.9	98.0%	95.0%
Disability Living Allowance	36.0	93.5%	95.0%	33.5	93.5%	95.0%
Attendance Allowance	5.7	96.9%	Not available**	3.6	98.0%	Not available**
Carer's Allowance	0.9	98.9%	Not available**	0.5	99.4%	Not available**
<b>National Insurance Fund Contributory</b>						
Retirement Pension & Bereavement Benefits	4.7	99.6%	95.0%	10.5	99.1%	Not available**
Incapacity Benefit	5.7	98.2%	98.5%	3.6	98.8%	95.0%
<b>Social Fund</b>						
Payments, grants and loans	1.5	97.8%	Not available**	1.2	98.0%	Not available**
<b>Total (excluding pension credit)</b>	<b>67.1</b>	<b>98.0%</b>		<b>64.9</b>	<b>98.0%</b>	
<b>Non-contributory Pension Credit *</b>	12.7	95.4%	95.0%	-	-	-

\* Pension Credit was introduced during 2003-04 and was not subject to the financial accuracy process until 2004-05

\*\* Not available as targets not set for these benefits

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

3.17 In forming my audit opinion I am required to confirm that the account is free from material misstatement, whether caused by error, fraud or irregularity. I have qualified my audit opinion on the account due to the material level of estimated fraud and error in benefit expenditure totalling £107 million (see Figure 2).

## Part 4: Qualified Audit Opinion Arising from Uncertainties over Certain Debtor Balances

### Background

- 4.1 The Agency uses the Programme Accounting Computer System (PACS) in the preparation of their accounts. This system is operated and managed by the Department for Work and Pensions (DWP) in Great Britain. However there are currently deficiencies in the interaction between PACS and its various benefit information systems. These deficiencies result in limitations in the evidence available to support significant social security programme debtor balances. I therefore cannot be sure as to the accuracy and completeness of these balances.
- 4.2 I have assessed whether the impact of the uncertainty over these balances results in the balance sheet giving a misleading view and have concluded the impact is that the net assets of the Agency may be significantly misstated. Consequently, I have decided to qualify my audit opinion on the account on the basis that the scope of my audit was limited.

### Contributory and Non Contributory Benefit Overpayment Debtors - £46.3 million (Gross)

- 4.3 Overpayments to customers arise as a result of fraud or error on the part of the customer, and to a lesser extent errors by officials. When an overpayment is identified, local social security offices notify Debt Management Unit (DMU). DMU records the amount of the overpayment on their debt management system, the Overpayment Recovery System (OPREC) and pursue recovery. However, these and subsequent movements in debts outstanding are posted to the PACS general ledger in total rather than by the individual debt amounts. As a result, no listing of individual customers owing money was available from the PACS general ledger system in relation to 2004-05 for my staff to test.
- 4.4 At 31st March 2005 the debtor balance recorded in the PACS general ledger did not agree with the balance from the OPREC collated database. The Agency considered the PACS general ledger balance of £46.3 million to be the more accurate and, being lower, the more prudent balance.
- 4.5 In the absence of a satisfactory audit trail between the PACS general ledger and the more detailed information held on the OPREC system, my examination of overpayment debtors was again severely limited. Therefore, having taken account of evidence that the information held on the OPREC system is unreliable and incomplete, I conclude that there is significant uncertainty over the accuracy and completeness of the debtors balance held on the PACS general ledger. I am disappointed that non – system weaknesses in the OPREC system still exist despite the efforts of the Agency during the year.
- 4.6 The Agency has told me that it regards the issue of uncertainties over certain debtor balances as a priority in its work schedule and it has already taken a number of steps to address these issues. The Agency also told me that it continues to examine and validate the records held on OPREC to ensure that the information held is complete and accurate and to address the discrepancies between OPREC and PACS. The Agency noted that it has embedded a number of new processes to address the non system weaknesses and work to validate the information held on OPREC is now a priority activity using a number of sources. The Agency has indicated that these activities have resulted in improvements which will be consolidated in the forthcoming months.
- 4.7 Furthermore, the Agency has told me that the Debt Modernisation Project, which was established in April 2005, aims to introduce new and improved business processes for the management of debt. In addition, a new IT system (Debt Manager) will replace OPREC and should be operational by October 2006. This system has the capability of passing information

electronically between various computer systems including a direct interface with PACS and it will resolve the issue of debt identification and the fact that OPREC is a stand alone computer system. Prior to migration to Debt Manager, a reconciliation exercise will be carried out for existing cases to reconcile the accounts on both systems. The Agency has noted that this will resolve the present concerns regarding the differential between PACS and OPREC.

### Encashment Control Creditor – Removal of Previous Qualification

- 4.8 The encashment control creditor balance represents the Agency's estimate of the total value of cheques, which have been issued to customers and are due for encashment at Post Offices or Banks, but remained unencashed at the year end.
- 4.9 In previous years, the Agency was unable to confirm the actual encashment of individual order book foils and the majority of girocheques as encashment data from the Agency's paying agents did not provide this level of detail. Although the Agency's accounting systems could capture detailed accounting information for individual order book foils and girocheques that are system generated and issued, it could not capture similar information for order books and girocheques that are produced and issued manually to customers. As a result the Agency was unable to perform a full reconciliation between the general ledger balances and statements from paying agents. However, in 2004-05 the Agency was able to obtain sufficient information to allow the encashment control balance to be individually identified at customer level, hence providing my staff with sufficient detail to perform audit work on the year end balance.
- 4.10 The Agency expects that the ongoing implementation of Direct Payment of benefits<sup>2</sup> should continue to reduce this creditor balance.
- 4.11 I acknowledge the Agency's efforts in this area and, as a result of my testing, can conclude that it is appropriate to remove this element of my previous qualification.

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J M Dowdall CB  
Comptroller and Auditor General  
14 October 2005

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<sup>2</sup> PSA Target 1.5 is to make significant progress towards modernising welfare delivery so that by December 2005 85% of customers have their benefit paid into their bank accounts. This target has been exceeded with 93% being achieved by March 2005.







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