

NORTHERN IRELAND SOCIAL SECURITY AGENCY

SOCIAL FUND ACCOUNT

for the year ended 31 March 2002

Prepared pursuant to section 146(4) of the Social Security

Administration (Northern Ireland) Act 1992

The Northern Ireland Social Security Agency
Social Fund Account
for the year ended 31 March 2002

*Laid before the Houses of Parliament by the Comptroller and Auditor General
for Northern Ireland in accordance with Paragraph 12(2) and (4) of
the Schedule to the Northern Ireland Act 2000 and Paragraph
27 of the Schedule to the Northern Ireland Act 2000 (Prescribed
Documents) Order 2004*

19 May 2005

*Laid before the Northern Ireland Assembly
Under Section 146(4)
of the Social Security Administration (Northern Ireland) Act 1992
by the Comptroller and Auditor General for Northern Ireland*

19 May 2005

*Ordered by The House of Commons to be printed
19 May 2005*

HC 31
NIA 175/03

LONDON: The Stationery Office

£6.50

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FOREWORD

Presentation of Account

1. The Agency presents its Social Fund Account which is prepared in accordance with section 146(4) of the Social Security Administration (NI) Act 1992 and the Department of Finance and Personnel's accounts direction.

Statutory Background

- 2.1 The Social Fund was established in 1987 under Article 33 of the Social Security (Northern Ireland) Order 1986 and continued in being by section 146 of the Social Security Administration (Northern Ireland) Act 1992. Section 134(1)(a) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 provides for maternity and funeral payments in prescribed circumstances. Section 134(1)(b) of that Act provides for other needs to be met in accordance with directions and guidance issued by the Department for Social Development in respect of loans and community care grants. Section 134(2) provides for payments in prescribed circumstances to meet extra expenses for heating incurred or likely to be incurred during periods of very cold weather.
- 2.2 The first phase of the Social Fund comprising maternity and funeral payments came into operation on 6 April 1987. The second phase was introduced on 11 April 1988 and replaced all remaining supplementary benefit single payments and some urgent needs payments. Regulations were introduced in November 1988 which provided for payments to be made to certain Income Support customers following a period of cold weather, enhanced by further regulations in November 1991 to include payments when cold weather is forecast. The Winter Fuel Payments scheme was introduced by the Department under Regulations made in exercise of powers conferred by Section 134 (2) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, which came into operation on 16 January 1998.
- 2.3 Payments from the Fund are split into two broad categories, regulated and discretionary. Regulated payments are maternity expenses, funeral expenses, cold weather payments, and winter fuel payments and are demand led. Discretionary payments comprise budgeting loans, crisis loans and community care grants and are demand led and cash limited. All payments are made subject to relevant qualifying conditions being met. From October 1996 Jobseeker's Allowance (Income Based), which replaced Income Support payable to the unemployed, became a qualifying benefit for Social Fund payments.

Categories of Payments

- 3.1 Sure Start Maternity Grants- The Sure Start Maternity Grant scheme was introduced on 27 March 2000 to replace the £100 Maternity Payment. It is available to families on Income Support, Jobseeker's Allowance (Income Based), Working Families Tax Credit and Disabled Person's Tax Credit. The level of payment was £200 on introduction and this was increased to £300 from 17 September 2000.
- 3.2 Funeral Payments - Payments to meet essential funeral expenses may be made to customers who have good reason for taking

responsibility for the funeral costs and are in receipt of Income Support, Jobseeker's Allowance (Income Based), Working Families Tax Credit, Disabled Person's Tax Credit or Housing Benefit. In April 1997 regulations were introduced placing a limit of £600 on certain expenses payable in respect of funeral arrangements. In January 2000 following a Social Security Commissioner's decision, the necessary cost of burial or cremation was redefined in the regulations. The amendment was required to ensure that the provision for the necessary cost of burial or cremation relates solely to those charges levied by the authority and not the associated funeral expenses that should fall to be considered within the provision capped at £600. In January 2000 16 and 17 year olds were added to the group excluded from consideration in the immediate family test and the nature and extent of contact test. This means that regardless of their financial circumstances and relationship to the deceased, the presence of a 16 or 17 year old will not prevent anyone else from receiving a funeral payment. In October 2001 two changes were made to Funeral Payments. The limit of £500 on capital (£1000 for the over-60's) was abolished. This means that customers no longer have their Funeral Payment award reduced or extinguished by the amount of savings they hold above £500 (or £1000). The other change involved removing an anomaly whereby some customers whose relatives are asylum seekers lost entitlement to Funeral Payments. Funeral Payments are normally recoverable from the deceased person's estate, though estates are often insufficient to permit recovery.

3.3 Cold Weather Payments -

Cold Weather Payments of £8.50 to certain Income Support or Jobseeker's Allowance (Income Based) customers are made when the average temperatures in an area are, or are forecast to be, at or below 0 degrees Celsius for a period of seven consecutive days. This is based on information from the Meteorological Office in relation to weather stations and the postcodes linked to those stations. Readings are currently provided by five weather stations in Northern Ireland, at Aldergrove, Ballykelly, Castleterg, St Angelo and Lisburn.

3.4 Winter Fuel Payments -

The Winter Fuel Payments scheme was introduced in January 1998 to specifically help older people with their winter fuel bills. The eligibility criterion is that during the specified week the household has an occupant ordinarily resident in GB or NI aged 60 or over. The need to be in receipt of a qualifying benefit, which existed prior to 16 December 1999, has been removed. For the first two years of the scheme (1997/98 and 1998/99) eligible households received £20, while the poorest pensioners,

those receiving Income Support received £50. Winter Fuel Payments were increased to £100 for eligible households for winter 1999/2000. This amount was increased to £150 for winter 2000/2001 and again increased to £200 in the Pre-budget report of November 2000. The increase to £200 was originally intended to be for one year only, that is for winter 2000/2001. However in June 2001 it was announced that the Winter Fuel Payment was to be maintained at the increased rate of £200 for the winter of 2001/2002. This means that most people aged 60 years old or over during the qualifying week 17 to 23 September 2001 qualified for a payment of £200. Winter Fuel Payments are tax-free and do not affect entitlement to other social security benefits.

- 3.5 Budgeting Loans - Payable to customers in receipt of Income Support or Jobseeker's Allowance (Income Based) to help with major items of expenditure or services for which it may be difficult to budget. Loans are repayable, normally by deduction from benefit.
- 3.6 Crisis Loans - Payable without regard to a qualifying benefit to customers faced with emergencies or the consequences of a disaster. Loans are repayable either by direct repayment or by deduction from certain benefits.
- 3.7 Community Care Grant - Payable to promote the community care of customers qualifying for Income Support or Jobseeker's Allowance (Income Based). The main purpose is to help vulnerable groups lead independent lives in the community rather than go into institutional or residential care, or to help such people re-establish themselves in the community following a period of such care; ease exceptional pressures on families; and to help with certain urgent travelling expenses.

Financial Basis of the Social Fund

- 4. The Social Fund is, in part, financed by grants from the Consolidated Fund, which in 2001-02 were payable from DSD Vote RfR A, line 17 (3) for regulated expenditure, line 18 (3) for winter fuel payments and line 19 (3) for discretionary expenditure. In addition, section 74(1) of the Social Security Administration (NI) Act 1992 provides for the repayment of loans, recoveries of which help finance the fund; and section 74(4) of the Act provides that payments to meet funeral expenses may be recovered from the deceased person's estate.

Annual Report on the Social Fund

5. The Department for Social Development is required by Section 146(5) and (6) of the Social Security Administration (NI) Act 1992 to prepare an annual report on the Social Fund and to lay a copy of the report before the Northern Ireland Assembly. This report and the Annual Report of the Social Fund Commissioner for 2001-02 were published on 26 November 2002.

Audit Arrangements

6. The Comptroller and Auditor General is required under section 146(4) of the Social Security Administration (NI) Act 1992 to examine and certify the Social Fund account and to lay copies of it, together with his report thereon, before the Northern Ireland Assembly.

Statement of Accounting Officer's Responsibilities

- 7.1 Under Section 146(4) of the Social Security Administration (NI) Act 1992, accounts of the Social Fund are to be prepared in such form and in such manner as the Department of Finance and Personnel may direct. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the year end.
- 7.2 The Department of Finance and Personnel has appointed the Chief Executive of the Social Security Agency as additional Accounting Officer for the Social Fund. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum in "Government Accounting in Northern Ireland" issued by the Department of Finance and Personnel.



Chief Executive

Northern Ireland Social Security Agency

Date 23 March 2005

Statement of Internal Control

Transitional Statement

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Agency policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

We carried out appropriate procedures to ensure that we have identified the Agency's objectives and risks and determined a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Agency has set out its attitude to risk to the achievement of the Agency's objectives.

The management board has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. Risk management has been incorporated more fully into the corporate planning and decision making process of the Agency.

The board receives periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

Following the identification of the Agency's key objectives and risks further work has been done to bring about more consistency in the way in which the Agency treats risks.

In addition to the actions mentioned above, the Agency plans to:

- Regularly review and update the record of risks facing the organisation;
- Set up a system of key performance and risk indicators incorporating measures from the Agency's Balanced Scorecard;
- Maintain the organisation-wide risk register; and
- Embed the process within all levels of management throughout the Agency.

The Social Security Agency has an Internal Audit Unit, which operates to standards defined in the Government Internal Audit Manual. They submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of 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.

My review of the effectiveness of the system of internal control has highlighted the following areas of weakness in respect of the Social Fund.

- Weaknesses were identified in that the Social Fund Computer System did not enforce segregation of duties, nor provide meaningful audit trails. In addition it was identified that the Computer System did not generate lists of cases with outstanding debt or where recovery of loans had been deferred. Management could not therefore be assured that all loans had been deferred for a valid reason or that the period of deferral was appropriate. These failings are outside the control of local management and the issues have been raised centrally to seek system enhancement.
- Delays were found in referring cases, where the customer had failed to respond to the final demand, to Debt Management Unit for recovery action. It was also identified that not all cases had been properly invoiced to Debt Management Unit. Local management has put procedures in place to comply with the instructions on these matters.
- Failures were identified in observing the guidance to ensure that the authorisation of persons carrying out various systems functions were appropriate to their requirements. When a line manager completed a request for access to the system the Computer Security Officer did not ensure the request was appropriate. Local management accepted that these requests should be scrutinised.
- A weakness was identified when procedures on proof of identity, when the application was taken, were not always applied. It was also identified that there was a lack of guidance on completing recovery when cases moved from being clerically maintained to becoming automated.



Gerry Keenan
Chief Executive

23 March 2005

NORTHERN IRELAND SOCIAL SECURITY AGENCY: SOCIAL FUND ACCOUNT 2001-02

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 9 to 13 under Section 146 (4) of the Social Security Administration (Northern Ireland) Act 1992.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 4 the Accounting Officer of the Social Security Agency is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword. 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 properly present the receipts and payments of the Social Fund and are properly prepared in accordance with Section 146 (4) of the Social Security Administration (Northern Ireland) Act 1992 and directions made thereunder by the Department of Finance and Personnel, and whether in all material respects the payments and receipts have been applied to the purposes intended by the Northern Ireland Assembly and 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 review whether the statement on pages 5 and 6 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts and payments have been applied to the purposes intended by the Northern Ireland Assembly and

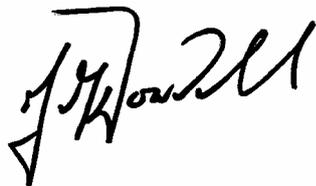
conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements properly present the receipts and payments of the Northern Ireland Social Fund for the year ended 31 March 2002 and the balances held at that date and have been properly prepared in accordance with Section 146 (4) of the Social Security Administration (Northern Ireland) Act 1992 and directions made thereunder by the Department of Finance and Personnel; and
- in all material respects the receipts and payments have been applied to the purposes intended by the Northern Ireland Assembly and conform to the authorities which govern them.

See also my report on pages 17 to 20.

A handwritten signature in black ink, appearing to read 'J M Dowdall', written in a cursive style.

J M Dowdall CB
Comptroller and Auditor General
14th April 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

**RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002**

| | 2001/02 £'000 | 2000/01 £'000 |
|---|--------------------------|------------------|
| RECEIPTS | | |
| Receipts from DSD Vote RfR A | 50,842 | 67,431 |
| Repayments of funeral payments | 67 | 73 |
| Repayments of budgeting loans | 32,817 | 30,012 |
| Repayments of crisis loans | 4,710 | 4,045 |
| Other receipts | 15 | 4 |
| Total | 88,451 | 101,565 |
| <i>Less</i> | | |
| PAYMENTS | | |
| Maternity expenses | 2,434 | 1,715 |
| Funeral expenses | 2,201 | 2,093 |
| Cold weather payments | 199 | 2,146 |
| Budgeting loans | 31,631 | 31,101 |
| Crisis loans | 6,410 | 5,590 |
| Community care grants | 10,204 | 10,103 |
| Winter fuel payments | 43,128 | 45,421 |
| Total | 96,207 | 98,169 |
| Excess of receipts over payments/ (Excess of payments over receipts) | (7,756) | 3,396 |

STATEMENT OF BALANCES

| | £'000 | £'000 |
|-----------------------------------|----------------|--------|
| Opening Balance | 12,793 | 9,397 |
| <i>plus</i> | | |
| Excess of receipts over payments | | 3,396 |
| <i>(less</i> | | |
| Excess of payments over receipts) | (7,756) | |
| Closing Balance | 5,037 | 12,793 |

The Notes on pages 10 to 13 form part of the Account.



Chief Executive

Northern Ireland Social Security Agency
Date 23 March 2005

NOTES

1. GENERAL

The Account is prepared in accordance with Section 146(4) of the Social Security Administration (Northern Ireland) Act 1992. It has been prepared on a cash basis with no provision for accruals and in a form directed by the Department of Finance and Personnel, shown as an appendix to this account. The figures for 2000-01 are given for comparison and are taken from the Account for that year.

2. STATEMENT OF LOANS

| | Budgeting Loans £'000 | Crisis Loans £'000 | Total £'000 |
|---|-----------------------------|--------------------------|----------------|
| Amount at 1 April 2001 | 30,352 | 7,956 | 38,308 |
| Amount loaned | 31,631 | 6,410 | 38,041 |
| Amount recovered | (32,817) | (4,710) | (37,527) |
| Amount written off | <u>(107)</u> | <u>(31)</u> | <u>(138)</u> |
| Amount outstanding at 31 March 2002 | 29,059 | 9,625 | 38,684 |
| Amount of adjustment | <u>485</u> | <u>(163)</u> | <u>322</u> |
| Amount outstanding at 31 March 2002 restated | <u>29,544</u> | <u>9,462</u> | <u>39,006</u> |

The amount for loans outstanding at 31 March 2002 shown in this note is based on cumulative loans and repayments disclosed in the receipts and payments account, adjusted for amounts written-off and the net adjustment resulting from the further investigation of discrepancies identified between the loans balances as recorded in the Social Fund Accounts and those recorded in the Social Fund computer system. The composition of the latter adjustment is described in more detail below.

The net adjustment of £322k to the closing balance is to take account mainly of adjustments to loans issued, the review of Crisis Loans to Community Care Grants and to record the net effect on loan balances of customers who had moved between Northern Ireland and Great Britain.

3. AGE OF LOANS ANALYSIS

Between April 1988, when the Social Fund loans scheme was introduced, and March 2002, loans of some £331m have been paid. Over this period, £290m of these loans has been recovered and £2m written-off or adjusted, leaving a balance of some £39m outstanding at 31 March 2002. Loans are normally recovered by deduction from social security benefits and, where this is not possible, by cash instalments. Where a customer has more than one loan, the earliest loan is normally redeemed first, with recovery of later loans following automatically. A minority of loans take several years to recover fully. This may be due to the customer losing entitlement to benefit and recovery being deferred until a further claim is made.

An analysis of the age of loans outstanding at 31 March 2002 is summarised below.

| Age/Type of loan | Budgeting Loans £'000 | Crisis Loans £'000 | Total £'000 |
|---|--------------------------|-----------------------|----------------|
| 5 years and more | 601 | 329 | 930 |
| Between 1 year and less than 5 years | 8,131 | 3,854 | 11,985 |
| Less than 1 year | <u>20,812</u> | <u>5,279</u> | <u>26,091</u> |
| | <u>29,544</u> | <u>9,462</u> | <u>39,006</u> |

4. STATEMENT OF FUNERAL PAYMENTS OUTSTANDING

| | |
|---|----------------|
| | £'000 |
| Amount outstanding at 1 April 2001 | 2,885 |
| Payments made | 2,201 |
| Amount recovered | (67) |
| Amount deemed as irrecoverable | <u>(1,393)</u> |
| Amount outstanding at 31 March 2002 | 3,626 |
| Amount of Adjustment | <u>25</u> |
| Revised Amount Outstanding at 31 March 2002 | <u>3,651</u> |

The amount for Funeral Payments outstanding at 31 March 2002 shown in this note is based on cumulative payments and repayments disclosed in the receipts and payments account, adjusted for amounts deemed as irrecoverable and the net adjustment resulting from further investigation of discrepancies identified between Funeral Payments as recorded in the Social Fund Accounts and those recorded in the Social Fund computer system. The adjustment records the net effect of Funeral Payments transferred to Great Britain.

Funeral Payments are recoverable only from the estate of the deceased, but in the majority of cases the estate is insufficient for the funeral payment to be recovered.

Accordingly the amount shown above as outstanding does not reflect the amount which may be recovered.

An analysis of the age of Funeral Payments outstanding is summarised below:

| Year of Funeral Payment | £'000 |
|-------------------------|--------------|
| 1993/94 | 2 |
| 1994/95 | 5 |
| 1995/96 | 6 |
| 1996/97 | 10 |
| 1997/98 | 124 |
| 1998/99 | 180 |
| 1999/00 | 219 |
| 2000/01 | 968 |
| 2001/02 | <u>2,137</u> |
| | <u>3,651</u> |

5. LOSSES £'000

Claims for recoverable funeral payments abandoned mainly due to insufficient estates (1,909 cases). 1,393

Recoverable loans abandoned or impracticable to pursue (855 cases). 138

6. BENEFIT FRAUD

The Social Security Agency's Security Strategy (1996-2002) aims to address security and control in all relevant areas and achieve a demonstrable and sustained reduction in the level of losses of public expenditure from fraud and error. Quantifying the level of fraud and incorrectness is essential to the effective control and protection of public expenditure. One of the main features of the security strategy is a benefit review technique which provides that information.

The Social Security Agency is in the process of conducting a rolling programme of reviews of all major benefits, including Income Support and Jobseeker's Allowance.

As Social Fund payments during 2001-02 were in the main made to persons receiving Income Support as a qualifying benefit, the level of fraudulent claims for this benefit may impact on the payments made from the Social Fund. However, as the bulk of payments are made by way of recoverable loans and are subject to additional qualifying conditions the scope for losses from fraud is substantially reduced. The Social Security Agency therefore considers that the overall risk of material loss of public funds is low.

7. STANDING BALANCES

The closing balance within the Fund will vary from year to year but the intention is to maintain a standing balance of £1.3m.

At 31 March 2002 the closing balance of £5.037m is the result of overprovision in the estimated spend for Winter Fuel Payments in previous years. This will be rectified in 2002-03.



Chief Executive

Northern Ireland Social Security Agency

Date 23 March 2005

SOCIAL FUND

NORTHERN IRELAND SOCIAL SECURITY AGENCY

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF FINANCE AND PERSONNEL

1. The Department of Finance and Personnel (DFP) in accordance with Section 146 (4) of the Social Security Administration (Northern Ireland) Act 1992 hereby gives the following Direction.
2. The statement of account which it is the duty of the Northern Ireland Social Security Agency to prepare in respect of the transactions of the Social Fund for the financial year ending 31 March 1995 and for any subsequent years, shall comprise:
 - a) a foreword;
 - b) an account of receipts and payments;
 - c) a statement of balances:and shall include any such notes as may be necessary for the purposes referred to in the attached schedule.
3. The Accounting Officer shall observe all relevant accounting and disclosure requirements in "Government Accounting Northern Ireland" and any other guidance issued by DFP, as amended or augmented from time to time.
4. The format of the statement of account and the disclosure requirements are in the attached schedule.
5. The foreword and account shall be signed by the Accounting Officer.
6. The Accounts Direction shall be reproduced as an annex to the accounts.

Signed S. QUINN

TREASURY OFFICER OF ACCOUNTS

Dated 11 SEPTEMBER 1996

FORMAT OF ACCOUNT AND DISCLOSURE REQUIREMENT

1. The foreword shall state that the account has been prepared in accordance with a direction issued by DFP in pursuance of Section 146 (4) of the Social Security Administration (Northern Ireland) Act 1992. The foreword will also include details of the following:-
 - (a) a brief history of the Social Fund and its statutory background;
 - (b) categories of payment;
 - (c) financial basis of the fund;
 - (d) the publication of the Department of Health and Social Service's Report;
 - (e) audit arrangements;
 - (f) responsibilities of the Accounting Officer.
2. The receipts and payments account and statement of balances shall conform to the formats shown in the Annex, although minor variations may be made.
3. The notes shall include:
 - (a) a statement of loans including an age analysis of loans outstanding;
 - (b) a statement of losses;
 - (c) the policy on maintaining a standing balance.

**RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 199X**

| | 199X/X £'000 | 199X/X £'000 |
|--|-----------------|-----------------|
| RECEIPTS | | |
| Receipts from DHSS Vote 6 | | |
| Repayments of funeral payments | | |
| Repayments of budgeting loans | | |
| Repayments of crisis loans | | |
| Other receipts | | |
| total | | |
| <i>Less</i> | | |
| PAYMENTS | | |
| Maternity expenses | | |
| Funeral expenses | | |
| Cold weather payments | | |
| Budgeting loans | | |
| Crisis loans | | |
| Community care grants | | |
| total | | |
| Excess of receipts over payments / (Excess of payments over receipts) | | |

STATEMENT OF BALANCES

| | £'000 | £'000 |
|-----------------------------------|-------|-------|
| Opening Balance | | |
| <i>Plus</i> | | |
| Excess of receipts over payments | | |
| <i>(Less</i> | | |
| Excess of payments over receipts) | | |
| Closing Balance | | |

The Notes on pages [] and [] form part of the Account.

Chief Executive

Northern Ireland Social Security Agency

Date

NORTHERN IRELAND
SOCIAL FUND ACCOUNTS 2001-02

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL

1. Section 146(4) of the Social Security Administration (Northern Ireland) Act 1992 requires me to examine and certify the accounts of the social fund and to lay copies of that account before the Assembly.
2. Payments by the Social Security Agency from the Social Fund are split into two broad categories, discretionary and regulated. Discretionary payments comprise budgeting loans, crisis loans and community care grants and are demand-led but cash limited. Regulated payments are maternity expenses, funeral expenses, cold weather payments and winter fuel payments and are demand-led. All payments are made subject to relevant qualifying conditions being met.
3. I have qualified this account in previous years on the basis of the significant levels of error I have found as a result of audit testing. As part of my audit of the 2001-02 Social Fund Account, my staff carried out test examinations of payments and receipts at a number of Social Security Offices. These tests, which included a re-performance of a selection of the caseload carried out by the Agency's Standards Assurance Unit, indicated a lower level of error and, as a result, I have not qualified the Social Fund Account this year. I will, of course, continue to monitor the level of error found in future years' accounts and consider the impact of those errors on my audit opinion.
4. Although I have not qualified the Social Fund accounts this year I remain concerned with the poor performance of decision making and payment accuracy reported in the Social Security Agency's Annual Report on the Standard of Decision Making (NIA 7/02). The information used to compile the statistics within this report are obtained from the work completed by the Agency's independent Standards Assurance Unit.

Figure 1 summarises the results for decision making for the three main Social Fund benefits.

Figure 1: Decision Making Accuracy 2001-02

| | Target | Performance | |
|---|---------|-------------|---------|
| | 2001-02 | 2001-02 | 2000-01 |
| Budgeting Loan, Crisis Loan, Community Care Grant * | - | 85% | 76% |
| Sure Start Maternity Grant | 95% | 88% | 83% |
| Funeral Payments | 90% | 83% | 75% |

* No benchmark set for 2001/02

Source: Annual Report on Decision Making 2001-02

- Figure 2 summarises the results for payment accuracy for Social Fund benefits.

Figure 2: Payment Accuracy 2001-02

| | Target | Performance | |
|-------------|---------|-------------|---------|
| | 2001-02 | 2001-02 | 2000-01 |
| Social Fund | 91% | 94% | 86% |

Source: Annual Report on Decision Making 2001-02

- It is encouraging to note that the Agency achieved the payment accuracy target for Social Fund as a whole whilst showing an increase in performance from last year's results. Out of the three main Social Fund benefits, two did not achieve their decision making targets but I note an improvement from last year's performance. However, I consider that the error rates are still too high.
- To improve performance on both payment accuracy and decision making further the Agency has told me that following feedback from Standards Assurance Unit appropriate compensating procedural and instructional guidance was issued to the network. A Social Fund Focus Group has been established between the Operations Support Command of the Social Security Agency and the Office of the Social Fund

Commissioner where both parties are able to raise and progress operational concerns. Network Support Branch chairs quarterly EO1 Forums with the Social Fund Managers from the network to share best practises and address concerns. Both of these initiatives aim to improve standards and overall Social Fund performance.

Other Discrepancies

8. There are two other problem areas, while not impacting on the qualification of the accounts, which require comment.

- Loans – the balances of loans outstanding at 31 March 2002 for budgeting and crisis loans, as recorded in Note 2 to the accounts, were some £725,881 less than those recorded on Social Fund Computer System (SFCS), which is the system used to maintain the information on individual loan balances. (Figure 3)

Figure 3: Analysis of Accounting Difference

| | |
|---|----------------|
| | 2001-02 |
| | £ |
| Budgeting Loans | 1,210,484 |
| Crisis Loans | (484,603) |
| | ----- |
| Net Total (Amounts recorded on SFCS not in balances) | 725,881 |
| | ----- |

- Funeral Payments - the balances of funeral payments outstanding at 31 March 2002 as recorded in Note 4 to the accounts, was some £137,926 less than that recorded on the SFCS.
9. The Agency has told me that the discrepancy between the balance of loans outstanding as shown in the accounts and those recorded on Social Fund Computer System is a residue of the problems of Crisis Loans being posted as Budgeting Loans. Although the system changes in November 2000 corrected action from that point onwards, due to the nature of the problem, it was not cost effective to identify and correct previous incorrect postings. This discrepancy will reduce and finally disappear as all affected loans are recovered. The Agency has stated that it is continuing to monitor this

position. It is also investigating why there is a discrepancy in the balance of funeral payments.



J M DOWDALL CB
Comptroller and Auditor General
14th April 2005

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