SOCIAL SECURITY AGENCY

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Social Security Agency Annual Report & Accounts 2010 - 2011

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Social Security Agency
Annual Report and Accounts
For the year ended 31 March 2011

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

on

1 July 2011

This document/publication is also available on our website at **www.dsdni.gov.uk**

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Chief Executive's Report

I am pleased to present the Social Security Agency's Annual Report and Accounts for 2010–11.

Over the past 12 months the Agency has continued to deliver a high quality service to our customers. This was achieved at a time of significant financial and operational challenges as the Agency responded to resource reductions following the election of the new Coalition Government, the consequences of the settlement of the equal pay case and the severe weather at the end of 2010 which caused disruptions to service delivery.

I would like to congratulate all of our managers and staff for their commitment and hard work, which has enabled the Agency to drive forward improvements and changes whilst delivering a quality service to our customers during this period. I would also like to thank our Trade Union colleagues and the voluntary and community sector for their constructive engagement during the year.

This last year has seen continuing increases in the number of people claiming benefits. The Job Seekers Allowance register had reached 59,960, which represents a 6% increase from March 2010. Since April 2008 the register has risen from 24,621, an overall increase of 143%. The number of people claiming Employment Support Allowance has increased from 17,953 in April 2010 to 25,104 in March 2011, whilst Disability Living Allowance has increased from 183,513 in April 2010 to 186,209 in March 2011. These increases demonstrate the continuing pressures on the social security system during the current recession.

Reducing fraud and error remains a key priority for the Agency which continues to be addressed through a rigorous benefit security strategy. The strategy is delivering results with fraud and error at its lowest ever recorded levels.

The Northern Ireland Audit Office has, in general, acknowledged the considerable efforts and resources that the Agency has put into reducing the estimated levels of fraud and error. The Audit Office recognise the difficulties faced by the Agency with regard to the complexity of many of the benefits at a time of significant demand, resourcing pressures, the ongoing delivery of a modernisation and welfare reform programme and the impact of the economic downturn. The Audit Office has welcomed the Agency's anti-fraud initiatives and the publication of an error reduction strategy up to 2013-14.

The Agency faces significant challenges in delivering the new Welfare Reform agenda, not least, the change to individual benefits and changes associated with the introduction of Universal Credit, the reform of Disability Living Allowance and Social Fund and the introduction of a new Fraud and Error strategy. This will place significant demands on the Social Security Agency and other Northern Ireland Civil Service departments in planning the reform programme over the next four years, and implementing the individual reforms in the manner which recognises parity and best meets the needs of our customers.

Whilst we recognise the difficult and challenging operating and financial environment, the focus for the year ahead will be on improving operational performance across all of our main benefits, developing our customer standards and our approach to customer service; working in partnership with the voluntary, statutory and private sectors, maintaining our focus on fraud and error; delivering a set of modernisation initiatives required for business sustainability and building on staff engagement within the Agency.

The Agency is committed to building a long term sustainable business which is focussed on contributing to the Department for Social Development's strategic goals and delivering high quality public services. We are committed to delivering quality services to the people of Northern Ireland through staff who are skilled and committed to the Agency's business objectives.

Tommy O'Reilly
Chief Executive

29 June 2011

Directors' Report
Part 1

Directors' Report

History and Statutory Background

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

The Assembly is the prime source of authority for all devolved responsibilities and has full legislative and executive authority. Nelson McCausland replaced Alex Attwood as Minister for the Department for Social Development on 16 May 2011.

These accounts are presented to comply with a direction issued by the Department of Finance and Personnel (DFP) in accordance with section 11(3) of the Government Resources and Accounts Act (Northern Ireland) 2001.

The Business

The Agency's main business is to:

- assess and pay social security benefits accurately and securely;
- give advice and information about these benefits;
- support people by helping them move closer to work;
- process benefit reviews and appeals;
- prevent and detect benefit fraud, prosecute offenders and recover any benefit which has been paid incorrectly;
- recover benefit which has been paid in compensation cases;
- assess people's financial circumstances if they are applying for legal aid; and
- provide services to customers in Great Britain on behalf of the Department for Work and Pensions (DWP).

The Agency delivers its services to:

- the people of Northern Ireland, with a population of some 1.7 million; and
- the people living in 3 Districts within London.

Annex 1 provides more detail.

Our Organisation

The Agency is managed by a five-member Board and employs around 5300 staff. The majority of benefits are delivered centrally: these are Disability and Carers Benefits, Incapacity Benefits, Employment and Support Allowance, State Pension and State Pension Credit. Income Support, Job Seekers Allowance and Social Fund are delivered through our network of 35 offices. Services are also provided from three community benefit offices, the Benefit Shop in Belfast City Centre and a number of support branches. The Belfast Benefit Centre provides services for the DWP in Great Britain.

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

Members of the Agency Management Board during the year were:

Chief Executive (From 1 April 2010 – 30 June 2010)	[1] Bryan Davis
Chief Executive (From 2 August 2010)	Tommy O'Reilly
Director of Operations (From 1 April 2010 – 6 March 2011)	Dr Colin Sullivan
Director for Universal Credit (From 7 March 2011)	Dr Colin Sullivan
Acting Director of Operations (From 7 March 2011)	Mickey Kelly
Director of Finance and Planning	Joyce Bill
Director of Business Development (From 1 April 2010 – 5 November 2010)	Colum Boyle
Acting Director of Business Development (From 8 November 2010)	John O'Neill
Interim Medical Standards Director (From 1 April 2010 – 19 December 2010)	Dr Brian Wallace

[1] Mr Davis retired as Chief Executive of the Agency on 30 June 2010. Mr Will Haire, DSD Permanent Secretary, provided Accounting Officer responsibility until the appointment of the Agency's new Chief Executive on 2 August 2010

Conflict of Interest

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

Pension Schemes and Associated Liabilities

Present and past employees of the Agency are covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)) which is an unfunded and essentially non-contributory defined benefit scheme. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS (NI). The Agency makes employer contributions towards the cost of pension cover for its staff and these are charged to the Statement of Comprehensive Net Expenditure. There is a separate scheme statement for the PCSPS (NI) as a whole. Further details are provided in the Remuneration Report (Part 4) and in notes 1.16 and 2.1 to the accounts.

Audit

These accounts have been audited by the Comptroller and Auditor General for Northern Ireland whose Certificate and Report appears on pages 86 to 88. The notional audit cost is shown in Note 3 to the accounts. There was no remuneration paid for non-audit work during the year. So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all the steps he ought to have taken to ensure that he is aware of any relevant audit information and to establish that the auditors are aware of that information.

Management Commentary Part 2

Management Commentary

The Agency's key priorities for 2010 -11 are:

- **Maintaining customer service.**
- **Delivering benefit changes and improving internal processes.**
- **Managing the impact of the economic downturn on our business.**
- **Sustaining performance on fraud and error and debt recovery.**
- **Encouraging benefit entitlement.**

The Agency's targets are set in line with these key priorities.

Performance against Key Targets

The Agency's Business Plan for 2010-11 has its origins in the Department for Social Development's Corporate Plan 2008-2011. The latter sets out how the Department will deliver on its responsibilities under the Executive's Programme for Government and the overall priorities for social development. Each department takes forward planned outcomes for the citizen in the form of Public Service Agreements (PSAs).

Performance against Public Service Agreement (PSA)

The Agency's contribution to the delivery of key targets and milestones is included within **PSA 7: Making People's lives better by driving a programme across Government to reduce poverty and address inequality and disadvantage.**

To help the Agency achieve its contribution to this PSA objective a number of milestones and targets were set. A review of the Agency's performance in 2010-11 against the PSA milestones and targets is set out in the following table:

PSA 7 (1)	3 Year Target	2010-11 Milestone	Result	Final Status
Take forward action to provide for measurable reductions in the levels of poverty and particularly child poverty.	By March 2011 to have completed, in partnership with the Department for Employment and Learning, the roll out of the Jobs and Benefits service.	By March 2011 to have completed the rollout of the new Ballymena and Andersonstown Jobs and Benefits offices and progressed the delivery of the remaining offices in line with the planned timetable and available funding.	Ballymena & Andersonstown Jobs and Benefits offices have been completed and new service implemented. Due to the constrained capital position from the Northern Ireland Spending Review settlement and a reduction in the capital available to complete the final 8 Jobs and Benefits offices, the Agency will work with the Department for Employment and Learning, to consider opportunities to improve joint working in the remaining eight locations on a case by case basis.	Not Achieved
	[1]Meet published annual targets for implementation of the key outcomes of the Social Security Agency's Strategic Business Review.	(1) By June 2010, to have the Customer First service delivery model fully operational in North District	The Customer First Delivery Model became fully operational in the Agency's North District by May 2010.	Achieved
		(2) To evaluate the pilot during 2010-11	Formal Evaluation of the Pilot concluded in October 2010. An Evaluation Report which included recommendations on the way forward was presented to Minister. Minister accepted the Agency's recommendation to proceed with roll-out to Belfast West and Lisburn District.	
	By December 2009 to have implemented revised Medical Support Services Structures.	By March 2011 to have implemented the revised structure for the delivery of Medical Support Services.	The contract was signed with Atos Origin IT Services UK Ltd on 12 January 2011. A period of transition has commenced during which Atos will work to put in place the necessary structures and systems to deliver medical advice and assessment services in Northern Ireland in preparation for the commencement of service delivery at the end of June 2011.	Achieved with some delay

1 Strategic Business Review is now being taken forward through the 'Customer First' initiative

Performance against Other Business Plan Targets

Business Plan Targets 2010-11	Target Figure	Result	Final Status
Fraud and Error The estimated totals for overpayments and underpayments due to customer fraud and error and official error will be sustained or reduced against those reported in 2009-10.	Overpayments 1.1% Underpayments 0.5%	Overpayments 1.1% Underpayments 0.5%	Achieved Achieved
Continue Debt Recovery By March 2011 we will strive to recover £11.5 m of benefits incorrectly paid out through fraud and error.	£11.5m	£11.74m recovered	Achieved
To issue Certificate of Recoverable Benefits (a) 99% within 4 calendar weeks (b) with an accuracy of 98%	 99% 98%	 99.98% 98.74%	 Achieved Achieved
Financial Accuracy By March 2011 to strive to achieve overall financial accuracy of total expenditure on our main benefits as follows: Income Support Jobseeker's Allowance Incapacity Benefit State Pension State Pension Credit Disability Living Allowance Employment Support Allowance	 99% 99% 99% 99% 98% 99% 95%	 98.8 99 % 98.4% 99.9% 96.9% 99.6% 94.6%	 Achieved within upper confidence interval Achieved Achieved within upper confidence interval Achieved Not Achieved Achieved Achieved within upper confidence interval
Clearance Times By March 2011 we will strive to achieve average actual clearance time targets for our main benefits as follows: Income Support Jobseeker's Allowance State Pension Credit State Pension Employment Support Allowance Disability Living Allowance	 12 days 14 days 12 days 9 days 17 days 41 days	 8.4 days 11.2days 9.3 days 5.3 days 13.9 days 33.5 days	 Achieved Achieved Achieved Achieved Achieved Achieved
Encouraging Benefit Entitlement We will strive to encourage entitlement by: Offering a full benefit assessment to 19,000 Social Security Agency customers who may be entitled to additional benefits. Generating an additional 1,140 successful claims through benefit uptake work.		Invitations for benefit assessment have been issued to 19,001 customers. 1,536 claims were generated through benefit uptake work.	Achieved Achieved

Performance against Additional Chief Executive Targets

Additional Targets 2010-11	Final Status
Internal Control	
• Ensuring, throughout the year, that controls are in place to provide at least a satisfactory assurance level of governance and control.	Achieved
• Ensuring that we protect and handle the personal data of our customers securely.	Achieved
Efficiency Delivery	
• Deliver £11.4 m of cash releasing savings.	Achieved
HR Strategy	
• Ensuring that workforce planning is managed effectively in line with business needs.	Achieved
• Implementing the Managing Attendance action plan to meet a reduction in the average staff absence levels as per the agreed target (days lost per whole time equivalent member of staff).	Likely to be Achieved
• Maintaining an effective working relationship with Agency Trade Union.	Achieved
Learning and Development	
• Develop staff to enable the delivery of an effective and efficient customer-focused service.	Achieved
• Provide learning and development support to all operational areas to facilitate the delivery of key business changes.	Achieved
• Work in partnership to ensure the generic needs of Agency staff are met through the services provided by Departmental HR and the Centre for Applied Learning (CAL).	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 2010-11. These exclude non-cash costs.

		Budget (in £ millions)	Result (in £ millions)
Resources Budget	For Northern Ireland Services	213.6	210.8
	For Great Britain Services	18.4	18.0
Capital Budget	For Northern Ireland Services	0.4	0.2
	For Great Britain Services	0	0
Total Budget/Result		232.4	229.0

Business Performance

The Agency is responsible for the provision of a wide range of benefits and services to our customers. It maintains a benefits caseload of approximately 580,000 for individuals living in Northern Ireland with 860,000 individual benefit accounts. During 2010-11 the expenditure on social security benefits was approximately £4.3 billion.

The Agency also provides a benefits processing service for DWP covering approximately 223,000 customers in London.

The Agency's 4 main operational business areas during 2010-11 were:

- **Pensions, Disability and Carer's Service** which administers State Pension, State Pension Credit, Disability Living Allowance, Attendance Allowance and Carers Allowance;
- **Working Age (Central)** which administers Incapacity Benefit, Employment and Support Allowance and provides Medical Support Services ;
- **Working Age (Network)** which administers Income Support, Jobseekers Allowance, allocation of National Insurance numbers, Social Fund and the Belfast Benefit Centre; and
- **Benefits Assurance** which delivers the monitoring and reporting of financial accuracy, levels of Fraud and Error and Decision Making standards, error reduction activity, counter fraud activity, benefit uptake activity and Operations Support.

The focus over the past year has been to manage performance to continuously improve decision making and accuracy, meet customer expectations and to reduce financial error. All main business areas are managed through associated business plan targets which are derived from the Agency's priorities.

Performance Targets

Overview

The Social Security Agency has sustained its performance for this year which is particularly noteworthy given the challenging operating environment. This included the continued impact of the economic downturn on benefit registers, primarily Jobseeker's Allowance, the consolidation of the new Employment and Support Allowance, Pensions Transformation, the ongoing modernisation and change programme and the reduced resources available resulting from the 2008-2011 budget settlement, the impact of the Northern Ireland Executive's decision for 2010-11 in respect of pressures at the Northern Ireland level, and the Coalition's emergency budget in June 2010.

Throughout the Agency there is a continual and constant focus on managing performance and improving decision making and accuracy to meet customer expectations and reduce financial losses.

Fraud and Error

Reducing fraud and error remains a key priority for the Agency which continues to be addressed through a rigorous benefit security strategy. This strategy is delivering results with fraud and error at its lowest ever recorded levels.

Total losses of social security benefit through fraud and error for 2010 equate to 1.1% of benefit expenditure (£48.2m) compared to 1.1% of benefit expenditure (£46.8m) in 2009. While the monetary value of losses is up on the previous year, benefit expenditure has increased from £4.2bn in 2009 to £4.4bn in 2010, therefore losses as a percentage of benefit expenditure has remained static at 1.1%.

Losses through official error for 2010 are £21.2m (0.5%) compared to £16.7m (0.4%). While up 0.1% on the previous year, official error losses in 2010 now include, for the first time, error associated with the new Employment and Support Allowance benefit. Over the same period, losses from customer error have reduced from £12.9m (0.3%) in 2009 to £6.5m (0.2%) 2010 resulting in overall losses through official error and customer error of 0.7% in 2010, compared to 0.7% in 2009. Over the last seven years total estimated losses through overpayments have reduced from £70.7m in 2003-04 (2.2% of benefit expenditure) to £48.2m (1.1% of benefit expenditure) in 2010.

Identifying people not receiving their full entitlement and correcting benefit payments is an integral part of the Agency's strategy which gives equal priority to identifying and correcting underpayments and overpayments.

Underpayments amounting to an estimated value of £20.7m (0.5% of expenditure) have been identified This is comparable to the 0.5% (£21.5m) for 2009, and is set in the context of increasing total benefit expenditure of [2] £4.4bn for 2010 up from the [3]£4.2bn total benefit expenditure in 2009. Underpayments due to official error have

reduced from 0.4% (2009) to 0.3% of benefit expenditure in 2010, while those arising from customer error have remained static at 0.1% in 2010 and 0.1% in 2009.

Financial Accuracy

Results at year end December 2010 indicate continued good performance, despite the continued challenges faced by the Agency such as service modernisation and the effects of the economic downturn.

Five of the seven main benefits have a 99% accuracy target, of which three were fully met (State Pension, Disability Living Allowance and Jobseeker's Allowance). Both Income Support and Incapacity Benefit met the 99% target within upper confidence intervals.

Of the two remaining main benefits, Employment and Support Allowance (ESA) also met, within confidence intervals, its target of 95%, a commendable achievement for a benefit that is still relatively new. While State Pension Credit missed its 98% target, performance has continued to improve. The final outcome figure of 96.9% (a 0.3 percentage point increase on 2009 performance) represents the highest level of accuracy reported yet in that particular benefit.

Clearance Times

At March 2011 all 6 main benefits with clearance times achieved their targets, including some noteworthy outcomes. Disability Living Allowance (DLA) processing times have been further reduced by just over 3 days on last year's performance. In the first year where formal performance targets were put in place for Employment and Support Allowance (ESA) the claims clearance target was met.

Pensions Disability and Carers Service

State Retirement Pension makes up around 37% of the total benefit expenditure and the financial accuracy and claims clearance targets were met during the reporting period. The financial accuracy target of 99% was achieved and the claims clearance target at 5.3 days was also achieved. This is an improvement of 3 days on last year's outturn. Over 95% of State Pension claims are now made and processed via telephony, with an average call time of 11 minutes.

2 The 2010 figures now include losses relating to ESA, and is the first year in which this has been reported.

3 The total benefit expenditure for 2009 included £39m of ESA.

While the financial accuracy target for State Pension Credit has not been achieved this year, it is encouraging to report that financial accuracy has improved for the third year in succession, recording it's highest ever level of accuracy at 96.9%. This is a 0.3 percentage point improvement on last year's performance of 96.6%, building on the 1.3 percentage points improvement delivered in the 2009 year. An Accuracy Improvement Plan is in place and is continuing to deliver results. State Pension Credit has also continued to achieve its claims clearance time target at 9.3 days which is consistent with last year's performance.

Claims clearance results for Disability Living Allowance (DLA) have continued to exceed target times and represents a further improvement on last year's results. By March 2011, performance within DLA had improved by 3.5 days since March 2010, in total an improvement of 17.2 days since March 2007.

The financial accuracy target for DLA has been achieved for the fifth year in succession; DLA has continued to perform well this year at 99.6%, marginally down on the 2009 result of 99.7%. Since 2006 financial accuracy has improved by 1.6 percentage points from 98.0% to 99.6% in 2010.

Working Age Benefits (Central)

In the first year of formal performance targets being applied to the Employment and Support Allowance (ESA) benefit, the financial accuracy target was met within upper confidence intervals and the claims clearance target was also met, achieving 13.9 days against the 17 day target. ESA has delivered steady and consistent improvement throughout 2010.

The ESA telephony service has continued to make progress with answer rates on both the claims and enquiry telephone lines consistently achieving over 90%. Call waiting times have also improved over the year; a new ESA claim can now be taken over the phone, in most cases, in under 20 minutes.

Significant progress was made throughout the year in improving medical referrals to Medical Support Services reducing the time to get customers through the medical examination process and shorten the customer journey.

The financial accuracy target for Incapacity Benefit (IB) has also been achieved within the upper confidence interval at 98.4%. New legislation abolishing the IB linking rules came into force on 31 January 2011 meaning the last day on which a new claim for IB could be made was 30 January 2011.

As only a small number of new IB claims were received prior to the change in legislation, there was no formal performance target set for Incapacity Benefit claims clearance in this year; however performance was monitored by local managers to ensure claims made were processed both promptly and accurately.

Working Age Benefits (Network)

Results in 2010-11 were very positive despite the ongoing challenges of the economic downturn. By the end of March 2011 the Jobseekers Allowance (JSA) register had reached 59,960, a 6% increase from March 2010 when the register was 56,658. The register has increased by 143% from April 2008 when it stood at 24,621. Despite this, financial accuracy and claims clearance targets for JSA were met with financial accuracy at 99% and claims at 11.2 days. The Agency continues to deliver services effectively to its customers through close working with Department for Employment and Learning (DEL) colleagues across the Agency's network of Jobs and Benefits offices.

Income Support also met its claims clearance target at 8.4 days and its financial accuracy target was achieved within upper confidence intervals at 98.8%.

Total applications to the Social Fund discretionary scheme continued to increase with just over 360,000 received last year. Within that, Crisis Loans saw a further 5% increase in applications from the previous year with 162,360 applications received in the 2010-11 business year compared to 154,594 in 2009-10 and 129,739 in 2008-09.

Benefits Assurance

To manage and address the risk of error, the Agency carried out a range of 'Error Reduction' activities. During 2010-11 the application of a risk based approach to targeting error and changes in circumstances continued to provide the most effective method of identifying cases requiring the adjustment of benefit paid.

Detecting and correcting underpayments remains a key focus of Error Reduction Activity and in just under 7,800 cases, increased awards of almost £22.2m were made across most of the main benefits but particularly in Disability Living Allowance (DLA) where these revised awards are a direct result of changes in customer circumstances identified following an intervention by the Agency. Overpayments to the monetary value of just over £17.1m were also identified in just over 6000 cases. This combined activity resulted in benefit adjustment across the Agency to a total monetary value of £39.3m.

The Agency has also expanded its activity in tackling fraud and error by introducing a Customer Compliance Team to examine a particular range of case referrals that are at risk of error or may potentially be fraudulent. This team which has been operational for 6 months of the 2010-11 year has engaged with nearly 2900 customers resulting in additional benefit adjustment to a total monetary value of £2.1m.

Following receipt of around 4600 National Fraud Initiative (NFI) referrals arising from the 2008 NFI exercise, the Agency adopted a series of sifting exercises to decide the most appropriate action to be taken according to the needs of individual cases. This ensured the Agency's response to the NFI exercise was proportionate, effective and delivered value for money in respect of fraud and error activity. Of the 4,612 cases received, 849 potential customer error cases have been processed to date through the Agency's error reduction and customer compliance programmes. A further 643 cases with suspicion of fraud, alongside 595 referrals from the Northern Ireland Housing Executive have been passed to the Agency's Fraud Investigation Unit. Of these 1238 cases passed for fraud investigation so far, 690 have been taken to conclusion with overpayments of £148.7k identified, and work has commenced on the remaining 548 cases.

The Agency's fraud work has resulted in 542 people being convicted in the Courts for fraud totaling £4.6m. Of those convicted, 8 persons received jail sentences, 100 received suspended jail sentences and 135 received community service orders. In addition, a number of other sentences were imposed ranging from conditional discharges to fines. The Agency also imposed 4 formal cautions and 582 Administrative Penalties. In total, 1128 sanctions were imposed during 2010-11, compared to 982 in the previous year.

Investigations carried out by Benefit Security Services (BSS) during the year involved overpayments amounting to £9.4m, as well as £294,000 of losses identified through cheque fraud.

During 2010-11 the Agency's Financial Investigation Unit had running costs of approximately £245,000 and has through its intervention, brought about the recovery of £506,131 of criminally obtained assets. This figure can be broken down as follows:

- 20 Confiscation Orders through the Courts amounting to £485,187; and
- 2 Voluntary payments negotiated prior to confiscation totalling £20,944.

In addition, during 2010-11, the Agency received incentivisation payments totalling £74,245. These monies were returned to the Agency in line with the Home Office Asset Recovery Incentive Scheme (ARIS) as a direct result of the Financial Investigation Unit's work. There is a further £4,000 incentivisation due to be paid to the Agency on orders which have been paid to the court service but not yet remitted to the Department of Justice.

The performance on fraud and error which is delivered by Benefits Assurance is discussed on pages 20 - 21.

Debt Recovery

The Agency has recovered £11.74m of debt due to fraud and error in the 2010-11 year, an increase of £0.25m over last year (£11.49m).

Compensation Recovery

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

The two Compensation Recovery targets reflect the factors which drive the level of recovery, the requirements of recovery legislation and maintain parity with our counterparts in Great Britain. These are to have issued 99% of Certificates of Recoverable Benefits within 4 calendar weeks, with an accuracy of 98%. Both of the targets have been exceeded at 99.98% and 98.74% respectively. The Agency recovered some £9.8m of health services charges, an increase on the £8.2m recovered last year.

Corporate Governance and Risk Management

The Agency's Corporate Governance Framework outlines the decision making process in the Agency and specifies the roles and responsibilities of the various committees and Directors of the Agency. During the year the Corporate Governance Framework was reviewed and revised to take account of best practice and to reflect the current corporate governance structures and process within the Agency.

The framework sets out the:

- Agency's key Internal Control and Risk Management processes;
- Agency's methodology for identifying, assessing and managing risk;
- roles and responsibilities of those involved in the risk management process; and
- the 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 Agency's Corporate Risk Register at Board level.

Internal Audit Programme

The audit programme for 2010-11 approved by the Social Security Agency (SSA) Audit Committee consisted of a total of 22 assignments. By year end, all 22 assignments were completed with 17 final reports and 5 draft reports issued. Of the 17 final reports issued, 4 received substantial assurance, 12 received satisfactory assurance ratings and 1 received a limited assurance rating which was later raised to satisfactory assurance on completion of a follow up review. These assurance ratings reflect the definitions included in DAO (DFP) 11-07 and were introduced across the Northern Ireland Civil Service (NICS) to provide a standardised system by Heads of Internal Audit to convey their opinions.

The definitions of the assurance ratings are listed below:-

- **Substantial** – There is a robust system of risk management, control and governance which should ensure that objectives are fully achieved.

- **Satisfactory** – There is some risk that objectives may not be fully achieved. Some improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.

- **Limited** – There is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance

- **Unacceptable** – The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Urgent action is required to improve the adequacy and effectiveness of risk management, control and governance.

- **Dual Assurance** – Whilst **limited assurance** is appropriate due to inherent system weaknesses, a **satisfactory assurance** is appropriate to those areas under the direct control of management.

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

The HIA was satisfied that the work completed during 2010-11 confirmed there is an adequate and effective level of control in place in all three areas.

He therefore concluded in his overall opinion that the risk management, control and governance framework within the Social Security Agency for 2010-11 is Satisfactory.

Efficiency Delivery Plan

The budget settlement for the period 2008-09 to 2010-11 required the Agency to achieve efficiencies of 5% per annum which equates to a total reduction in its spending power of some £53.2m over the three year period.

These efficiencies, which have been deducted from our budget settlement, comprise both cash releasing efficiencies of some £19.8m and the need to absorb pay and price pressures of £33.4m. Under Department of Finance and Personnel requirements the Agency is only required to report on its cash releasing target of £19.8m.

The Agency has delivered its efficiencies for 2008-9 to 2010-11 across the 5 pillars included within its published Efficiency Delivery Plan (EDP) namely major reform initiatives, structural reform, process redesign, people and supplier management. The Agency has delivered its cash releasing target of £11.4m for 2010-11 in line with the Agency's EDP as contained within the Department's Efficiency Delivery Plan (Published January 2008).

Customer Services

Delivering services to our three main customer groups has been the focus of our work programme for 2010-11. We aim to improve the quality, accessibility and delivery of services to all our customers and continue to build closer liaisons with the voluntary sector.

The following actions and initiatives were undertaken in the year:

Reducing Fraud and Error

Reducing fraud and error remains one of the Agency's key priorities. A range of activities including Accuracy Improvement Planning, Direct Intervention Error Reduction activities, Quality Forums, Customer Compliance interviews and Criminal Investigations are in place. The use of increased data matching and analysis to direct counter fraud and error activity onto areas of greatest risk allows those cases with the greatest likelihood of fraud and error, to be targeted. This ensures the Agency is making the most effective use of resources maximising the impact of work to increase financial accuracy levels and to reduce fraud and error.

During 2010-11 the Agency's Fraud and Error Reduction Board, supported by the Error Reduction planning and strategy team, continued to focus on fraud and error reduction work. This ensures a cohesive and consistent approach maximising the collective impact across the different work strands. In early 2010-11 the Board developed and published the Agency's 3 year Error Reduction Strategy for the next three years. The Board also oversaw a significant enhancement to the Agency's work to manage customer error. The establishment of a Customer Compliance Unit represents a significant enhancement to the management of customer error. This unit is now fully staffed, trained and contributing by identifying additional cases where customers have not reported changes in their circumstances.

This combination of activity is helping to improve effectiveness whilst also enabling fraud specialists to maximise their criminal intervention activities. As a result, Benefit Investigation Service achieved 1128 sanctions, 15% up on the previous year and the best performance since the implementation of the Benefit Security Strategy in 2001.

The Agency continues to work closely with organisations at home and abroad, mainly the Department for Work and Pensions (DWP) and the Department of Social Protection (DSP) in Ireland. Any developments in DWP error reduction initiatives are monitored, compared and evaluated against the Agency's strategic and operational position. Updates are provided to the Fraud and Error Reduction Board and where appropriate recommendations to modify our approach or adopt change. The Agency is closely monitoring the joint DWP and Her Majesty's Revenue and Customs (HMRC) strategy (published in October 2010) to tackle fraud and error in the benefit and tax credits systems, with the aim of considering ways in which to further enhance the progress made to date in Northern Ireland.

The Agency is also considering the impact of the new Universal Credit from both an operational and fraud and error reduction perspective. Internationally the Agency remains involved with DWP's approach to dealing with the risks associated with fraud initiated abroad. The Agency is currently named in 5 Memoranda of Understanding, 4 of which have information exchange arrangements now in place. The Agency is continuing to liaise with DWP for consideration of inclusion in 24 others, 8 of which are now being looked at by DWP.

The Agency has now embedded the Northern Ireland Audit Office's (NIAO) National Fraud Initiative (NFI) exercises within its business as usual activities. The 2008 NFI referral streams continue to be processed and planning is already underway to ensure that the Agency is ready to commence work on new NFI referrals from the 2010 exercise were received in 2011. Further information in the Agency's NFI work is detailed on pages 23-24.

Collectively these actions have delivered improvements with fraud and error losses down from 1.7% in 2006 to 1.3% in 2007, 1.2% in 2008 and 1.1% in 2009. Despite the inclusion of a new benefit and a challenging operating environment, the Agency has sustained its low levels of fraud and error in 2010.

Benefit Uptake

The Agency is committed to promoting benefit uptake across customer groupings including older people, those with a disability, carers and families to ensure that our customers receive the financial assistance and services to which they are entitled. The Agency's benefit uptake activity complements the work being taken forward under the Department's Fuel Poverty Strategy and Office of First Minister and Deputy First Minister's (OFMDFM) Lifetime Opportunities.

During the year the Agency continued to deliver a reliable, responsive and respectful service to our customers. In addition to assessing and paying social security benefits accurately and securely, the Agency also provided information and advice to customers on a day to day basis. This facility has been particularly pertinent in the current economic climate where some people have been accessing our services for the first time.

New initiatives have continued to be introduced to maximize entitlement including contracting with the independent advice sector. This approach was endorsed following the Strategic Review of April 2009 which built upon the success of previous targeted benefit uptake activities and took account of the recommendations from the Strategic Review. The Agency's 2010-11 Programme included:

- Contacting 19,001 customers to offer a full benefit assessment through Citizens Advice (CAB) with the aim of increasing benefit awareness amongst older people, those with a disability, carers, and families.

- Generating 1536 successful claims through benefit uptake work.

The Agency continued to deliver its Outreach work with a focus on raising awareness of social security benefits and ensuring older people received their full entitlement. During this year this work was delivered across twelve Council Areas which had a higher proportion of older residents but with relatively low uptake of the main pensioner benefits.

In addition, the Agency has successfully delivered its programme of benefit uptake. This supplemented the day to day activities aimed at increasing uptake through participation in local promotional activity; the production of specific publications, some in minority ethnic languages; input to the Northern Ireland Direct web site which includes the Benefits Adviser Service and general assistance with advice and information through our network of local and centralised offices.

The programme will be evaluated in June 2011 and lessons learnt will be used to inform plans for future uptake activities.

All business areas have maintained and developed liaison with a range of information and advice organisations to ensure potential customers were aware of benefit entitlement. These included the Citizen Advice Bureau, Royal National Institute of Blind People, STEER Mental Health Team, Women's Aid and the Simon Community. We have also worked closely with the Department for Employment and Learning to assist employees who face redundancy as a result of workplace closure.

Representatives from the Agency also increased awareness of social security benefits at various information sessions throughout the year. These included the Young at Heart retirement exhibition for pensioners and the Disability Action exhibition.

Jobs and Benefits Project

The Agency has continued to work with the Department for Employment and Learning to enhance the services provided to customers and support the transition from 'Welfare to Work'. Currently 27 of 35 Social Security Offices have been co-located with Job Centres in new Jobs and Benefits offices. The latest, Andersonstown Jobs and Benefits office went live on 24 May 2010.

Due to the constrained capital position from the Northern Ireland Spending Review settlement and a reduction in the capital available to complete the final 8 Jobs and Benefits offices, the Agency will work with the Department for Employment and Learning to deliver the best possible service in the remaining Social Security Offices and Job Centres.

Medical Support Services

In light of growing demands for medical expertise and following a review of its Medical Support Services, the Agency took forward a procurement exercise to deliver sustainable service arrangements using a third party service provider. The contract was signed with Atos Origin IT Services UK Ltd on 12 January 2011. The transition process has now commenced during which Atos will put in place the necessary structures and systems to deliver medical advice and assessment services in Northern Ireland in preparation for the commencement of service delivery on 20 June 2011.

Customer First

The Customer First initiative emerged from a Strategic Review of the Social Security Agency Operations undertaken in 2006. This review highlighted that there were a number of underlying structural weaknesses in the Agency's Local Office Network which threatened the ongoing viability of this service in the medium term.

Following the completion of public consultation, an Equality Impact Assessment (EQIA) and Ministerial approval, new service delivery arrangements for the local office network were successfully piloted in seven offices across the Agency's North District between April and October 2010.

The formal evaluation of the pilot and findings from both equality and operational perspectives were detailed in the evaluation report published in March 2011.

In relation to both customers and staff, no differential impacts on any of the Section 75 equality grounds have been identified. From an operational perspective all of the strategic design principles of Customer First have been implemented through the establishment of centralised processing, the introduction of an enhanced telephony system and standard operating models.

In March 2011 the Minister endorsed the Evaluation Report and accepted the Agency's recommendation to roll-out the Customer First initiative.

Central Payment System

The payment of and accounting for the Agency's benefits is undertaken using the systems of the Department for Work and Pensions (DWP). The Central Payment System (CPS) is being implemented by DWP as a solution to current problems with the existing systems and its primary functions will be to process benefit payments in a safe, secure and timely manner and maintain proper accounting records for the related transactions. The CPS will also be implemented in the Agency to maintain IT parity and ensure continuity of Northern Ireland benefit payments and accounting.

During 2009-10 and 2010-11 the Agency's CPS project team worked closely with the DWP to ensure that the final agreed CPS solution design would meet the needs of the Agency. The implementation commenced on the 18 April 2011 with the introduction of the core accounting functionality. This will be followed by the migration of the benefit payments for Winter Fuel, Social Fund and Industrial Injuries. The remaining benefits will be migrated on a phased basis in line with DWP timelines, currently September 2011 to March 2012.

Method of Payment Reform Project

The Post Office card account (POca) new automated account opening service was successfully implemented in the Agency on 8 March 2010. For customers, the new service simplifies the customer journey by making it easier for them to open a Post Office card account, whilst simplifying the associated internal processes for staff. Further service enhancements such as access to Post Office branded Automated Teller Machines were also delivered during 2010.

Following the completion of cheque conversion campaign, the Department for Work and Pensions Customer Conversion Management Service was decommissioned in November 2010. Of the 47,650 Agency cheque customers contacted during the campaign, almost 25% converted to Direct Payment.

The Method of Payment Reform Project has since initiated a local cheque conversion exercise to encourage Agency cheque customers to avail of Direct Payment. Of 2,240 cheque customers contacted during this exercise approximately 88% of them have converted their benefit(s) to Direct Payment. A number of additional conversion exercises have resulted in a further 1,170 cheque customers moving to Direct Payment.

Pensions Reform Delivery Programme

The Pensions Reform Delivery Programme formally closed at the end of September 2010 having successfully delivered the implementation of pensions reforms in relation to the equalisation of State Pension age for men and women, the gradual increase in State Pension age for both men and women from 65 to 68, the reduction in the number of qualifying years to get a full basic State Pension and the introduction of new weekly National Insurance credits for parents and carers.

The Government has recently announced an acceleration of the increase in State Pension age for men and women to 66 and two communication mail shots alerting customers to these changes were delivered in February and March 2011. The Pension Service continues to monitor further Pension Reform Developments.

Liaison with Independent Advice Sector Organisations

Agency senior staff from Chief Executive to Assistant Directors met with equivalent representatives from the Advice Services Alliance on several occasions during the year to consider strategic and operational issues.

Senior Pension Centre Managers met regularly with the Partnership for Pensioners (PFP) whose membership includes representatives of Citizens Advice, AGE Northern Ireland, and Advice Northern Ireland. These meetings provided managers with an opportunity to provide the group with an overview of our business, workloads and performance and the PFP group use the forum to keep informed about Pension Service's future strategies and plans as well as benefit entitlement issues. The groups are also kept up to date on Customer Service contact details and senior managers progress on specific issues raised.

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

- To enable DCS to seek the views of intermediary organisations representing a broad spectrum of our customer base on operational delivery and proposed change initiatives; and

- To enable intermediaries to voice their concerns and also what they think is going well in terms of service delivery.

In addition during 2010-11 separate meetings were also held with individual groups such as; the Royal National Institute of Blind People, Pink Ladies Breast Cancer Support Group and Macmillan Cancer.

The Jobs and Benefits Office network met with a wide selection of the advice sector organisations during the year, such as representatives of the Irish Traveller community, young peoples groups, Domestic Violence Partnership Group, Renal Unit Dialysis Group, Fleming Fulton School, Royal National Institute for Deaf People, and Asylum Co-Ordination. Additionally, redundancy clinics, benefit uptake days and information days were undertaken across all six districts. All offices also attend bi-annual meetings with Northern Ireland Housing Executive (NIHE) and Land and Property Services (LPS), and as well as regular meetings with the Employment Services Board.

The IB/IS Reassessment Communications Team have engaged extensively with the voluntary sector over the past 6 months. A number of meetings / presentations were held which representatives from the Law Centre, Advice Northern Ireland, Citizen Advice, Disability Action and various other umbrella groups attended. The objective of the meetings was to discuss and seek views on Reassessment from a customer perspective.

The Employment and Support Allowance (ESA) Centre has continued its Outreach Programme with the aim of improving the standard of service provided to customers, particularly vulnerable customers. The Centre actively engaged with a number of customer representative groups, including the Pink Ladies, Royal National Institute of Blind People, Parkinson's Support Group, Macmillan Cancer, disability groups, the National Autistic Society and advice workers from voluntary and political sectors. ESA Centre staff attended meetings of the Disability Consultative Forum jointly with Incapacity Benefit Branch and Disability and Carers Service to discuss customer issues particularly those relating to vulnerable customers.

Outreach Services for Older People

Pension Advisors have been involved in the Agency's Outreach work which was delivered in 12 council areas under the Agency's Benefit Uptake Programme. This included:

- Meeting with representatives from a range of statutory, community and faith based organisations to discuss the Agency's Outreach approach in the council areas.
- Assessing the benefit entitlement of customers calling the FREEPHONE number given on leaflets and posters.
- Visiting customers with potential entitlement to help with form completion.
- Delivering information sessions for community and faith based organisations.
- Attending promotional events in libraries.

Lone Parent Initiative / Changes

The changes to lone parent regulations are based on the Government's policy of reducing child poverty and the principle that once children are older, lone parents who are able to work and are claiming benefits should look for paid work, subject to certain exemptions and conditions.

From 26 October 2009, lone parents with a youngest child aged 10, and from 25 October 2010 those with a youngest child aged 7 were unable to make a new or repeat claim to Income Support. Alternative benefit support in the form of Jobseeker’s Allowance and Employment and Support Allowance is available. These are work focused benefits and are designed to assist the customer gain employment. This is regarded as a positive step to reduce child poverty.

Existing Income Support customers’ claims were considered on a phased basis from March 2009 to January 2011, dependent upon the age of their youngest child.

Interpretation and Translation Services

The Agency and the Department for Employment and Learning continue to provide telephone and face-to-face interpreting as well as a document translation service. Telephone interpreting is provided by *‘thebigword’* interpreting service, whilst face to face interpreting is provided throughout Northern Ireland by South Tyrone Empowerment Programme (STEP).

Customer Charter Standards

Three customer charters containing the same generic standards are available for our main customer groups. These are the Jobs and Benefits Customer Charter, developed in partnership with Department for Employment and Learning (DEL); The Pensions Service and the Disability and Carers Service charters. All charters are also 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.**

List of the standards and performance in 2010-11 is shown below:

Service Standard	Performance 2010-11
To acknowledge all correspondence items within 2 days of receipt.	95.53%
To reply to all correspondence within 10 days of receipt.	98.91%
To see customers within 10 minutes of a pre-booked appointment.	99.09% - with an appointment
To see customers who do not have an appointment within 15 minutes of their arrival.	94.38% – without an appointment
To answer calls to direct-dial numbers within 20 seconds.[4]	71%

Correspondence

During the year, the Agency received 187 Stage 3 written enquiries from Members of Parliament (MPs) and Members of the Assembly (MLAs). This was a decrease from 218 in 2009-2010. At 31 March 2011 all 181 cases were cleared and actioned within the target deadline.

4 This 71% achievement refers to the number of all calls received which were answered within 20 seconds, including abandoned calls. Based on the number of calls answered, 98.4% were answered within 20 seconds.

Assembly Business

The Agency has continued to provide support to Minister, the Social Development Committee and Assembly Members during the last year. Between April 2010 and March 2011 the Agency answered 71 written Assembly questions, 4 of which were priority questions, and part input was provided for a further 52. 12 full Oral questions were answered and input was provided for a further 2 questions. All questions were answered within agreed 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 2010-2011 was 1,394, a decrease of 167 on the number of complaints received in 2009-2010 (1,561). The Agency replied to 98% within the 10 day target.

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

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

The Agency has continued to review and modify its Guide to Effective Complaints Handling. For customers, details of our complaints procedures are set out in our leaflet “Making a Comment or Complaint” available in our local offices and our internet site: **www.dsdni.gov.uk**

Independent Case Examiner

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

During the year there were 11 new referrals to the Examiner and 2 cases were carried forward from 2009-10 giving the Agency a total of 13 cases.

Category	
Complaints received 2010-11	11
Carried forward from 2009-10	2
Complaints not accepted (failed gateway)	4
Complaints withdrawn	0
Total complaints investigated	4
Outcome of complaints investigated	
Resolved (no further evidence required)	0
Settled (resolved following receipt of further evidence)	2
Investigated – Full investigation carried out and complaint now finalised	2
Number outstanding at year end	5

Customers can write to the Independent Case Examiner at:

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

Data Protection

The table below provides details of Personal Data Related Incidents for the Agency during the year:-

Personal Data Related Incidents 2010-11	
Number of incidents where personal data has been lost	4
Number of incidents where access to personal data has not complied with Data Protection requirements	3

The Agency fully investigated all of the incidents listed above and appropriate action has been taken where necessary, including considering whether controls could be improved or taking disciplinary action against staff.

The Agency places considerable emphasis on the secure handling and transfer of all data and we continue to implement measures to strengthen the security of the information in our possession.

Throughout this year the Agency introduced improvements to its data awareness training, handling and transfer arrangements. These included: issuing revised guidance on Information Transfers, the completion of the online Data Protection Awareness training package across the Agency, a lockdown on unofficial storage devices connecting to the Agency's IT networks and the introduction of a Northern Ireland Civil Service Laptop Policy and Electronic Device and Electronic Storage Media Policy.

Security Audits were carried out during the year to check compliance levels with the Department's Clear Desk Policy. Email content filtering to detect Departmental Information being sent outside the secure network was also enhanced by using lower filtering levels.

Contingency Plans

During the year, the Agency routinely updated its corporate and local Business Continuity Plans to enable benefit payments to be maintained. In addition, the Agency's Flu Pandemic Contingency Plan was reviewed and updated to take account of latest developments which could impact on service delivery. Severe weather over the Christmas and New Year period tested the Agency's contingency plans but the Agency came through the period without significant disruption to customer services. This was testament to the systems in place and the commitment of staff. Nonetheless, the Agency is in the process of reviewing its contingency measures in advance of next winter.

Freedom of Information Act 2000 and Environmental Information Regulations

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

Sustainability Report

A Sustainability Report is produced by the Department and this is contained within its 2010-11 Resource Accounts. The DSD Action Plan can be accessed on the DSD Internet Site in the following location:

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

Our People

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

Learning and Development Unit (LDU)

During the year LDU engaged in a number of initiatives to ensure that learning and development aligned with business needs. LDU, in conjunction with training partners, delivered training to meet core business, modernisation and skills development needs. From September 2010 responsibility for all non business and non benefit specific training was handed over to Centre for Applied Learning. The Unit is now restructuring with a focus on developing a new service delivery model. This will make the unit more responsive to urgent training requirements and will best position the organisation to address any emerging needs. The Agency's planned investment in learning and development for the year was £4m resulting in the delivery of approximately 2647 training days. A full detailed account of learning and development activity will be reported in our Annual Training Report for 2010-11 which is due in July 2011.

Further Education

The Department continued to support staff through the Further Education Scheme, which provides financial support for course fees, books and equipment. During the 2010-11 academic year, 38 staff from the Social Security Agency have been supported by the Department through the Further Education Scheme at a total cost £18,424.

Social Welfare Summer School

The eleventh annual Social Welfare Summer School was held at Queen’s University, Belfast from 15 to 21 August 2010 and 4 of the 47 students attending the school were from the Social Security Agency. The theme was: “Beyond 2010, Combating Poverty and Social Exclusion in Times of Recession”.

A full detailed account of learning and development activity is reported in our Annual Learning and Development Report for 2010-11.

Investors in People (IiP)

The principles of the Investors in People Standard are well embedded in the organisation. The next assessment of the Agency will take place in early autumn 2011.

Managing Attendance

Effective Absence Management is a priority for all of the Agency management teams. The overall Agency target for 2010-11 is 13.6 working days lost per member of staff. While final authoritative figures are not yet available, the Agency looks set to come very close to this target and, based on the information to date, the downward trend experienced in recent years is continuing.

The Attendance Management Unit (AMU) continues to support managers in the application of the Attendance Management procedures through the use of case management, including regular case conferences for long-term sickness absences cases. The work of AMU has also included the implementation of workplace adjustments, along with support to managers and staff from the Stress Enquiry team and Disability Liaison staff.

During the period April 2010 to March 2011 AMU has issued 405 warnings to staff for poor attendance and dismissed 23 staff. There were also 28 staff medically retired. Processes are in place to support managers in taking action where there is a cause for concern about an individual staff member's attendance.

Regular reports issued to the Agency Management Board. These set out progress against target and highlight activities undertaken in supporting the drive towards improving the absence rates.

Health and Wellbeing

The Agency is committed to supporting the health and wellbeing of its staff. The Departmental Human Resources Division, which provides HR services for the Agency, has developed a Health and Wellbeing Strategy that will provide a new approach to managing sickness absence over the next three years.

Developed along three corporate themes of "Prevention, Early Intervention and Responsibility", the strategy will provide an opportunity to improve employee wellbeing, satisfaction and engagement. At the same time, it will identify action that managers and staff in the Agency can take to promote and maintain healthy lifestyles, prevent ill-health and reduce staff absence levels.

Health promotion messages have been communicated widely to Agency staff through the Department's intranet site and links to Occupational Health Services sites. The first of a series of awareness weeks providing staff with information on a range of issues was held at the end of March 2011. Participation in the Occupational Health Service's Lifestyle and Physical Activity Assessment Programme (LPAA), which evaluates overall health and fitness, has also been actively encouraged. During the period April 2010 – February 2011 approximately 190 members of staff undertook an LPAA. Additionally, the Northern Ireland Civil Service Sports Association Health Works Manager presented a health awareness and improvement session to senior managers during the launch of the Health and Wellbeing Strategy in November 2010.

Among the initiatives introduced under the Health and Wellbeing Strategy is a trial of the Workbridge Programme developed by the Northern Ireland Civil Services'

Employee Assistance Programme provider – Carecall. This programme has been designed to support members of staff on long term sick absence to return to work. The impact of the programme is currently being evaluated.

The Department has, in association with the Occupational Health Services (OHS), introduced from November 2010 the Pregnancy Support Programme to support officers who become pregnant. Key elements of the programme are advice and information for expectant mothers on the statutory and occupational entitlements of maternity leave as well as general information about topics such as choosing childcare and health in pregnancy.

Departmental Human Resources worked with our training provider, the Centre for Applied Learning (CAL), to review and enhance the training offered to managers around the Managing Attendance process and associated skills.

Supporting Our Community

During 2010, a total of 39 Agency staff participated in three Employer Supported Volunteering challenges hosted by Business in the Community and co-ordinated by the Department. A total of 11 challenges were completed by staff across the Department, including Agency staff. These were carried out at the National Trust site on Divis Mountain, Glencraig Primary School at Craigavad and the Mindwise project in Downpatrick. Tasks included building 30 metres of wooden boardwalk across Divis Mountain; painting playground markings at Glencraig; and painting the interior of a number of areas throughout the Mindwise property. The hours volunteered by staff amounted to 312 and the expertise and enthusiasm provided by the teams completing the jobs resulted in savings of between £1,000 to £3,000 for each project.

During the year, 14 Agency staff were seconded to voluntary bodies including Royal National Institute of Blind People, the Prince's Trust and Disability Action, making a positive contribution to the community. Over 1,300 staff in the Agency made charitable donations through the payroll system amounting to a total of over £103,000 in the year. A wide-range of local and national charities are supported by Northern Ireland Civil Servants.

Disabled Employees

The Agency recognises the valuable contribution that staff with disabilities make to the organisation and the Departmental Human Resources Division's Disability Liaison Team promotes opportunity and a positive attitude towards staff with disabilities. Support, guidance and advice on disability-related issues is provided to those staff and their managers. This ensures that the Agency discharges its responsibilities in line with the Disability Discrimination Act (1995) and the Disability Discrimination Northern Ireland Order (2006). Adjustments for staff with disabilities are made where it is reasonable to do so. Physical adjustments made have included the provision of specialised furniture and computer equipment and adaptations to buildings. Where appropriate, non-physical adjustments are also considered. Under the Disability Discrimination Act staff no longer need to declare themselves as disabled, the latest equality report produced for the Agency in December 2010 shows 6.7% of Agency staff had declared themselves disabled in January 2010.

The Disability Liaison Team continued to maintain valuable contact with a wide range of voluntary sector and public bodies working in the area of disability for advice on disability issues. Examples include Disability Action; Royal National Institute of Blind People; Royal National Institute for the Deaf; Ulster Supported Employment Ltd and Department for Employment and Learning Access to Work and Workable Schemes. These organisations supply advice and guidance to the Disability Liaison Team and consequently line managers to enable them to satisfy, where possible, reasonable adjustments recommended for staff.

Dignity at Work

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

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

In addition to this, during November 2010, the Agency issued a series of posters to staff which highlighted the Equality Commissions Race Equality Campaign. The posters emphasised the need for all to work together to end racial discrimination and harassment and achieve equality of opportunity for both employees and customers.

Employee Involvement

The Agency Management Board encourages widespread consultation and exchange of information at all levels within the Agency. This is done through meetings, team briefings, circulars, newsletters and the Agency intranet. There are also well established arrangements for formal consultation with recognised Agency Trade Union Side (ATUS) representatives on all significant developments affecting staff. The Agency has recently completed a review of its Team Time brief and will take this forward as required in 2011-12 ensuring effectiveness in engaging with staff.

Industrial Relations

The Agency's commitment to good industrial relations throughout its business areas continues to be of paramount importance. Specifically, the Memorandum of Understanding between Management Side and Agency Trade Union Side (ATUS), which has been in place since 2005, continues to provide the framework for the day to day operation of industrial relations in the Agency. Regular meetings took place during the year between ATUS and senior management to discuss the various programmes of work within the Agency.

The Agency has also participated throughout the year in an ongoing review of the industrial relations arrangements across all the constituent parts of the Department for Social Development. The overriding aim of the review is the achievement of common modernised industrial relations arrangements that will be fully attuned to the business needs of the whole Department.

HR Connect

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

The Department for Social Development's HR Director has a seat on the HR Connect Board, which is part of the governance arrangements for the service. The Human Resources Division has an established process for raising service issues with the Service Management Office in Department of Finance and Personnel (DFP). Departmental Human Resources staff are also represented on the various HRConnect User Forums to address service issues.

Recruitment and Workforce Planning

The Department of Finance and Personnel (DFP) introduced an embargo on all recruitment and promotion in the Northern Ireland Civil Service in February 2010 due to the implications of budget allocations for 2010-11. The embargo covers the General Service Grades AA to Grade 7 and will be reviewed by the Department of Finance and Personnel in June 2011.

As a result of the embargo throughout 2010-11, the Agency has been unable to recruit to the general service administration grades externally and has focussed on dealing with surplus staff and redeploying as necessary. The Agency continues to apply the Workforce Planning Model developed in conjunction with Northern Ireland Statistics and Research Agency, which provides more robust staffing projections for staff turnover and recruitment across the grades.

In 2010-11, nine permanent staff joined the Agency, one Staff Officer Accountant was recruited, five members of staff transferred in and three members of staff returned from career breaks.

Financial Performance

Resource and Programme Expenditure

The 2010-11 Agency accounts include both Resource Departmental Expenditure Limit (DEL) expenditure, and Annually Managed Expenditure (AME) derived from the DSD Request for Resources A.

AME expenditure includes social security benefits and grants and loans administered by the Agency and is funded from the Consolidated Fund, the Social Fund and the National Insurance Fund. DEL expenditure is funded exclusively from the Consolidated Fund. Further information on this is included in the notes to the financial statements.

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

Performance Targets

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

Business Review and Results for the Year

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

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

The Statement of Comprehensive Net Expenditure on pages 89-90 shows the net operating cost of the Agency.

The net cost of operations for the year was £4.437bn (2009-10: £4.381bn). Cost of Capital Charge is no longer included in the accounts and the 2009-10 charge has been removed through a prior period adjustment. Expenditure on Non–current assets for the financial year amounted to £0.176m (2009-10: £0.095m).

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

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

Property, plant and equipment and Intangible assets (non-current assets) owned by the Agency are valued at net book value (Note 9 and Note 10). During the year there has been no substantial investment in non-current assets. Details of the revaluations to non-current assets for the financial year are included in the Statement of Comprehensive Net Expenditure, Note 9 and Note 10 in the accounts.

The Agency's current estate management strategy is to maintain buildings for current use. In accordance with IAS 16 Property, Plant and Equipment, land and buildings are stated at current value, using a professional valuation completed every five years, and with appropriate indices used in the intervening years. The last professional valuation completed in 2008-09 placed an Alternative Use Value (AUV) of £14.5m on land and buildings. In 2010-11 Land and Property Services advised that a negative indexation of 15% should be applied to the Agency's buildings due to the current market conditions. This resulted in an impairment of £1.296m and is included in Note 3 and Note 9 in the accounts.

Remote Contingent Liabilities

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

Political and Charitable Donations

The Agency made no political or charitable donations during the year (2009-10: £nil).

Payments to Suppliers

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

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

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

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

Number of invoices received during the year	11,081
Number paid on time	10,520
Percentage paid on time	94.94%

The Late Payment of Commercial Debts (Interest) Act 1998 provides small businesses with a statutory right to claim interest on the late payment of commercial debt. In 2010-11 the Agency made no payments (2009-10: £44.50) arising from the Late Payment of Commercial Debt (Interest) Act.

Payment Accuracy

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

Resolution of 2009-10 outstanding International Financial Reporting Standards (IFRS) issues

The NIAO have finalised the audit review for the outstanding 2009-10 IFRS issues. The IFRS accounting treatment adopted by the Agency has been agreed with the NIAO and there are no accounting adjustments required.

Future Developments

The Agency will continue its focus on delivering quality public services to its customers by ensuring financial support is available to people who find themselves out of work, who are too ill to work or have a disability which impacts on their mobility and require assistance, that pensioners receive the level of pension to which they are entitled and, by providing financial assistance to people in real need or who face financial emergencies. At the same time the Agency will be at the forefront of significant service and organisational change over the coming years. It will be responsible for planning, managing and implementing a wide ranging reform programme of Northern Ireland's social welfare system, which, subject to Ministerial and Assembly approval, will be the most fundamental change to the Welfare system in 50 years.

Universal Credit intended to replace a set of existing social welfare benefits, which include Job Seekers Allowance, Employment Support Allowance, Child and Working Tax Credits and Housing Benefit, will impact the qualifying criteria for a number passported benefits administered by other Northern Ireland government departments. Ensuring the necessary work programme to enable the introduction of Universal Credit for fresh claims from October 2013, is a significant organisational and management challenge for the Agency. It is being taken forward in partnership with the Department for Work and Pensions, other Northern Ireland government departments and with Her Majesty's Revenue and Customs (HMRC). This will include developing appropriate delivery mechanisms for Universal Credit. Existing working age customers will migrate to Universal Credit between 2014 and 2017.

Disability Living Allowance will be reformed through the introduction of the new Personal Independence Payment and objective assessment of all existing Disability Living Allowance customers commencing in 2013. The new arrangements are intended to ensure that the funding for the new payment is targeted at those who most need it and is also expected to lead to a reduction in overall benefit spending on Disability Living Allowance. The Agency is currently considering the details of the reform proposals and working closely with DWP to understand the impact for Northern Ireland.

The Agency will continue to monitor developments and proposals for Social Fund Reform within DWP and the other devolved administrations. In particular, the proposed delivery of Community Care Grants and Crisis Loans by Local Authorities in Great Britain will necessitate a decision on the best and most cost effective way forward for Northern Ireland. The Agency is taking forward work to impact these proposals and proposals for regulated elements of the Social Fund such as budgeting loans which will fall within the scope of the new Universal Credit due to be implemented in April 2013.

A key theme of Welfare Reform is the move towards a system that offers more support but expects more in return from benefit recipients, with a vision of a welfare state where virtually everyone is either looking for work or preparing for work. This concept led to the introduction of Employment and Support Allowance from October 2008, which replaced Incapacity Benefit and Income Support (paid on the grounds of incapacity) for new customers.

In December 2008, the previous government set out plans to reassess existing Incapacity Benefit and Income Support (paid on the grounds of incapacity) customers for their eligibility for Employment and Support Allowance between 2011 and 2014. The Coalition has confirmed this approach and the Agency commenced the reassessment of customers on 28 February 2011. This exercise will involve around 76,000 customers in Northern Ireland, with the first cases completing the process from late May 2011 onwards. The aim of the reassessment is to determine a person's ability to engage in work or in work-related activity. This is to ensure that everyone who is able to work is given assistance to help them back into employment, so that 'no one is written off'.

The reform of Disability Living Allowance, Social Fund and further pension reforms alongside the current programme of work to reassess existing Incapacity Benefit claimants over the next three years, demonstrates the scale of change which the Agency will have to manage over the Spending Review 2010 period. These major reform initiatives are in addition to the Agency's current programme of modernisation projects which aims to reduce the costs of the existing benefit system and modernise and improve customer access to our services. Many of these are key enablers to support the changes to the benefits envisaged within welfare reform policy.

To ensure that the Agency has the flexibility and capacity to deliver service improvements whilst taking forward the wide ranging reforms to the social welfare system, the Agency has been restructured to ensure a proper delivery focus and accountability for reform initiatives across the management teams. The new structure will clearly distinguish between customers who are working-age, customers with a disability or who are pensioners and those who will be impacted by the introduction of Universal Credit.

There will be significant human resource and financial issues associated with this programme of work. This will require clarity on how the Agency plans to deliver its business in the medium term including achieving the right levels of staffing, with the appropriate skills and that the Agency is able to secure the necessary resources to fund the service. Potential changes to the funding regime for social security benefits were highlighted in the Coalition's 2011 budget statement, the Agency will need to fully understand the consequences of any changes on its business.

The Agency's key priorities for the year ahead are:

- **Enhancing customer service**
- **Delivering a reformed and modernised welfare system**
- **Sustaining performance on fraud and error and debt recovery**
- **Encouraging benefit entitlement**
- **Working in partnership**
- **Staff engagement**

A copy of the Agency's Business Plan for 2011-12 can be accessed on the DSD internet site in the following location:

www.dsdni.gov.uk

Remuneration Report
Part 3

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a freeze on senior pay in respect of 2010-11 and 2011-12 pay awards, in line with the Executive's decision in Budget 2011-15 to mirror the UK Coalition Government's commitment to impose pay restraint.

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of Northern Ireland Civil Service Permanent Secretaries pay in line with the annual pay strategy as approved by the Minister of Finance and Personnel. The freeze on pay in 2010-11 and 2011-12 also applies to Permanent Secretaries.

The pay system in place for senior civil servants in the Northern Ireland Civil Service is currently under review.

Service Contracts

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

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

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

Salary and Pension Entitlements

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

Remuneration (Audited)

	2009-10		2010-11	
Officials	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Bryan Davis Chief Executive (From 01/04/10 to 30/06/10)	85-90	N/A	20-25 (85-90 full year equivalent)	N/A
Tommy O'Reilly Chief Executive (From 02/08/10)	N/A	N/A	65-70 (100-105 full year equivalent)	N/A
Dr Colin Sullivan Director of Operations (From 01/04/10 to 06/03/11) Director for Universal Credit (From 07/03/11)	80-85	N/A	80-85	N/A
Joyce Bill Director of Finance and Planning	55-60	N/A	55-60	N/A
Colum Boyle Director of Business Development (From 01/04/10 to 05/11/10)	60-65	N/A	35-40 (60-65 full year equivalent)	N/A
John O'Neill Acting Director of Business Development (From 08/11/10)	N/A	N/A	20-25 (55-60 full year equivalent)	N/A
Dr Brian Wallace Interim Medical Standards Director (From 01/04/10 to 19/12/10)	70-75	N/A	50-55 (70-75 full year equivalent)	N/A
Mickey Kelly Acting Director of Operations (From 07/03/11)	N/A	N/A	0-5 (55-60 full year equivalent)	N/A

Salary

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

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. There were no bonuses paid in the 2009-10 or 2010-11 years.

Pension Entitlements (Audited)

Officials	Accrued pension at age 60 as at 31/03/11 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/11	CETV at 31/03/10 **	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Bryan Davis Chief Executive (From 01/04/10 to 30/06/10)	30-35 of which 30-35 is now in payment plus lump sum of 100-110 of which 100-110 is now in payment	2.5-5 Plus lump sum of 5-7.5	769	821	(67)	N/A
Tommy O'Reilly Chief Executive (From 02/08/10)	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 5-7.5	635	554	41	N/A
Dr Colin Sullivan Director of Operations (From 01/04/10 to 06/03/11). Director for Universal Credit (From 07/03/11)	5-10 (No lump sum)	0-2.5 (No lump sum)	55	33	16	N/A

Officials	Accrued pension at age 60 as at 31/03/11 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/03/11 £'000	CETV at 31/03/10** £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Joyce Bill Director of Finance and Planning	5-10 plus lump sum of 20-25	0-2.5 plus lump sum of 0-2.5	75	64	5	N/A
Colum Boyle Director of Business Development (From 01/4/10 to 05/11/10)	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	226	218	2	N/A
John O'Neill Acting Director of Business Development (From 08/11/10)	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 5-7.5	260	222	35	N/A
Dr Brian Wallace Interim Medical Standards Director (From 01/04/10 to 19/12/10)	30-35 of which 30-35 is now in payment plus lump sum of 100-105 of which 100-105 is now in payment	5-7.5 plus lump sum of 15-17.5	667	552	97	N/A
Mickey Kelly Acting Director of Operations (From 07/03/11)	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	314	313	0	N/A

*** The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/03/10 and 31/03/11 have both been calculated using the new factors, for consistency. The CETV at 31/03/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.*

Northern Ireland Civil Service (NICS) Pension Arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an ‘earned pension’ arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the CPI. For 2011, public service pensions will be increased by 3.1% with effect from 11 April.

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic, premium,** and **classic plus** and 65 for members of **nuvos**. Further details about the CSP arrangements can be found at the website:
www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

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

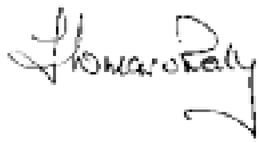
The actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. This means that the CETV in this year's report for 31/03/10 will not be the same as the corresponding figure shown in last year's report.

Real increase in CETV

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

Compensation for loss of office

There was no compensation paid to serving or former serving managers (for loss of office) during 2010-11.



Tommy O'Reilly
Chief Executive
29 June 2011

List of Annexes

List of Annexes

The Role of the Social Security Agency

Services provided to the people of Northern Ireland

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

- Attendance Allowance
- Disability Living Allowance
- Incapacity Benefit
- Income Support
- Benefits under the Industrial Injuries Scheme
- Carer's Allowance
- Jobseeker's Allowance (income and contribution based)
- Lump-sum payments (Christmas bonus, Winter Fuel Payments)
- Maternity Allowance
- State Pension Credit
- State Pension
- Over 80s Pension
- Severe Disablement Allowance
- Social Fund payments, grants and loans
- Bereavement Benefits
- Cold-weather payments
- Employment and Support Allowance (income related and contribution based)
- Carers Credit (from April 2010)
- Job Grants
- Health in Pregnancy Grant
- Healthy Start Scheme

We are also responsible for:

- providing information, advice and help to MPs/MLAs, the advice sector, the general public and employers;
- providing input to Northern Ireland Assembly debates;
- answering Assembly questions;
- recovering Social Fund loans and funeral payments;
- preparing and presenting appeals to appeals tribunals;
- deciding on operational policy relating to social security fraud and for developing and putting in place a strategy to prevent and detect social security fraud and abuse and prosecuting offenders;
- preventing, raising and recovering overpayments of benefits;
- recovering social security payments from compensation awards; 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.

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 Lisahally Processing Unit.

Services include:

- Processing Jobcentre Plus benefit work for Brent, Harrow and Hillingdon, South East London and parts of North London.

- Dealing with new claims, reviews, adjudication and appeals for Income Support, Jobseekers Allowance, Incapacity Benefit, Severe Disablement Allowance and Employment and Support Allowance.

- Making third party deductions for housing and fuel costs.

- Providing a Debt Management centre for calculating overpayments for Income Support and Jobseekers Allowance for all Districts of the London region.

- Delivering an outbound telephone service, providing call backs in relation to both enquiries and requests for information to customers and front-end Local Service Outlets (LSOs)

Other Services

We are responsible for handling the following services.

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

- **Prison Visit Scheme** – we assess entitlement and pay allowable travelling expenses for visits to a spouse/partner or close relative in prison on behalf of The Northern Ireland Prison Service.

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

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

- **We provide information and guidance** on how to claim Tax Credits for HMRC.

- **We are able to provide** members of the public with an estimated potential entitlement to a range of benefits and tax credits through the Integrated Benefit Information Systems (IBIS).

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

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

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

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

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

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

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

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

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

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

How to Contact Us

Phone Services	Number	Opening Hours	Description
Benefit Enquiry Line (BEL)	Free phone: 0800 220 674 Minicom: 0800 243 787 (freecall)	Monday, Tuesday, Wednesday and Friday 9.00am - 5.00pm Thursday 10.00am - 5.00pm	General information and advice on disability benefits. Personal benefit calculations. Phone completion of Attendance Allowance, Disability Living Allowance and Carer's Allowance claim forms.
Benefits Investigation Services (Northern Ireland) Fraud Phone Line	Free phone: 0800 975 6050 Textphone: 02890 544639 (freecall)	Monday – Friday 9.00am - 5.00pm	Phone number to receive allegations of social security benefit fraud from the public. No details of caller required and confidentiality is guaranteed.
Employment and Support Allowance	Free phone 0800 085 6318 Enquiry Line 0845 602 7301 Textphone 0800 328 3419	Monday - Friday 9.00am - 5.00pm	A quick and easy way for making new applications to Employment and Support Allowance. For general Employment Support and Allowance enquiries e.g. enquiring about an application, or reporting a change of circumstances.
Incapacity Benefits and Industrial Injuries Benefits	Telephone 02890 336000 Textphone 02890 336206	Monday, Tuesday, Wednesday and Friday 9.00am - 5.00pm Thursday 10.00am - 5.00pm	Customers can use these numbers to make enquiries about Industrial Injuries or Incapacity Benefits or to make a claim.
Benefit Shop	Telephone 02890 336958 Textphone 02890 336206	Monday, Tuesday, Wednesday and Friday 9.00am - 4.30pm Thursday 10.00am - 4.30pm	A One Stop Shop which provides help, information and advice on all Social Security benefits, and where possible, deal with queries an individual may have in relation to other organisations and public services.
National Benefit Fraud Line	Free phone: 0800 854 440 Textphone: 0800 328 0512	7.00am to 11.00pm 7 days a week	National free phone 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.

Phone Services	Number	Opening Hours	Description
Crisis Loans Claim Line	Free phone: 0800 028 8822	Monday, Tuesday, Wednesday and Friday 9.00am - 4.30pm Thursday 10.00am - 4.30pm	A Crisis Loan is there to help you in an emergency or as a consequence of a disaster. A Social Fund officer will process your claim over the telephone.
State Pensions Service Tele-Claims	Free phone: 0808 100 2658 Textphone: 0808 100 2198 (freecall)	Monday - Friday 9.00am - 5.00pm	A quick and easy way for making new applications to State Pension.
Pension Credit Application Line	Free phone: 0808 100 6165 Textphone: 0808 100 1165 (freecall)	Fax Number: 02871 274643 Monday, Tuesday, Wednesday and Friday 9.00am - 5.00pm Thursday 9.00am - 2.00pm and 3.00pm - 5.00pm	A quick and easy way for making new applications to Pension Credit. Application forms completed for the customer.
Pensions Service Enquiry Line	Phone Number: 0845 601 8821 Textphone: 0808 100 2198 (freecall) Fax Number: 02871 274643	Monday - Friday 9.00am - 5.00pm	For general State Pension or Pension Credit enquires e.g. enquiring about an application, or reporting a change of circumstances.

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

Facts and Figures

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

Net Spending on Benefits 2010-11

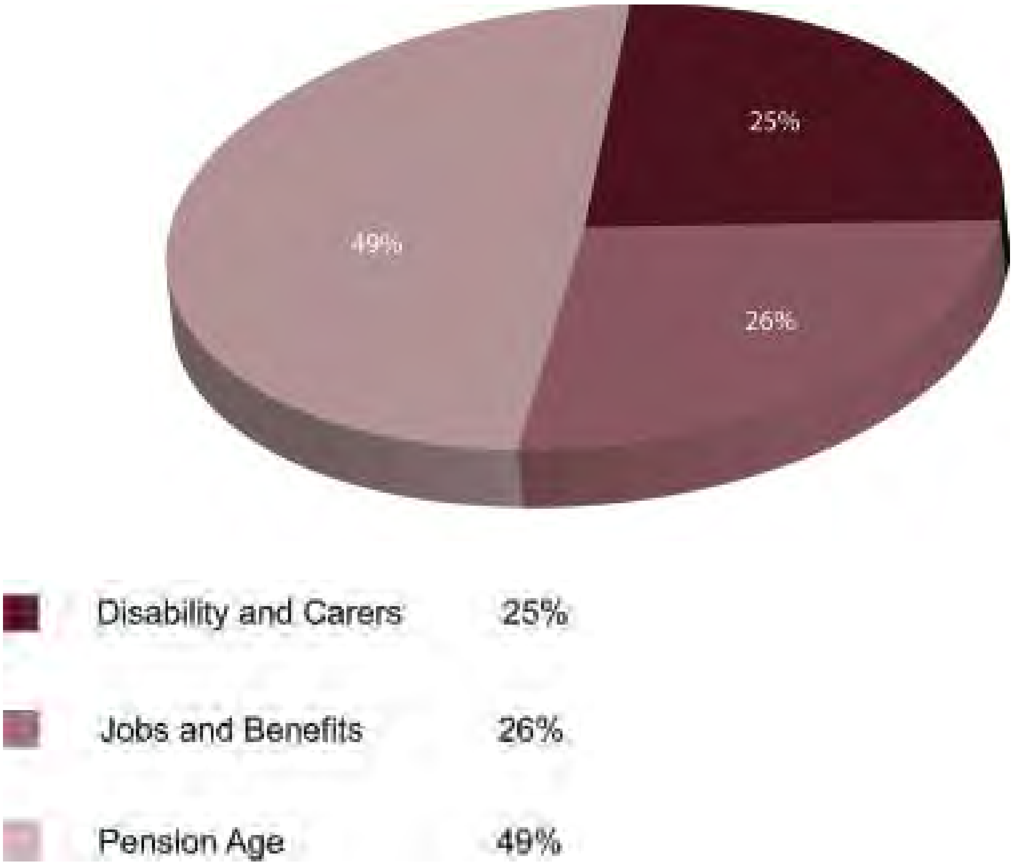
Benefits taken from Northern Ireland Consolidated Fund	£'000
Non-contributory retirement pension	2,325
Christmas bonus (pensioners)	1,386
Attendance Allowance	193,607
Carer's Allowance	103,573
Severe Disablement Allowance	41,214
Disability Living Allowance	753,456
Industrial Injuries Benefits	28,653
Income Support for the elderly	3,848
Pension Credit	351,996
Family Credit	5
Income Support – non-pensioners	415,089
Jobseeker's Allowance (income based)	157,807
Age Related payments	2
Employment and Support Allowance (income based)	50,367
Periodicity and Paydays	43
Job grant	1,442
Total: Northern Ireland Consolidated Fund	**2,104,813**
Benefits taken from the Northern Ireland National Insurance Fund	**£'000**
State Retirement Pension	1,665,265
Christmas Bonus	3,430
Widow's Benefits	21,616
Incapacity Benefit	298,760
Maternity Allowance	10,083
Employment and Support Allowance	44,209
Periodicity and Paydays	1
Jobseeker's Allowance (contribution based)[1]	26,666
Total: Northern Ireland National Insurance Fund	**2,070,030**

Social Fund	£’000
Budgeting loans	49,700
Crisis loans	16,561
Community care grants	13,819
Maternity payments	5,357
Funeral payments	2,595
Cold-weather payments	16,813
Winter Fuel Payments	69,185
Repayment of loans and other receipts	-57,726
Total: Social Fund	**116,304**
Total public spending on benefits for which we are responsible	**4,291,147**

1 - 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.

2 - Figures for Crisis Loans, Budget Loans and Funeral Payments represent amounts for new loans issued in the year. These amounts are included with Receivables, Note 13 in the notes to the financial statements.

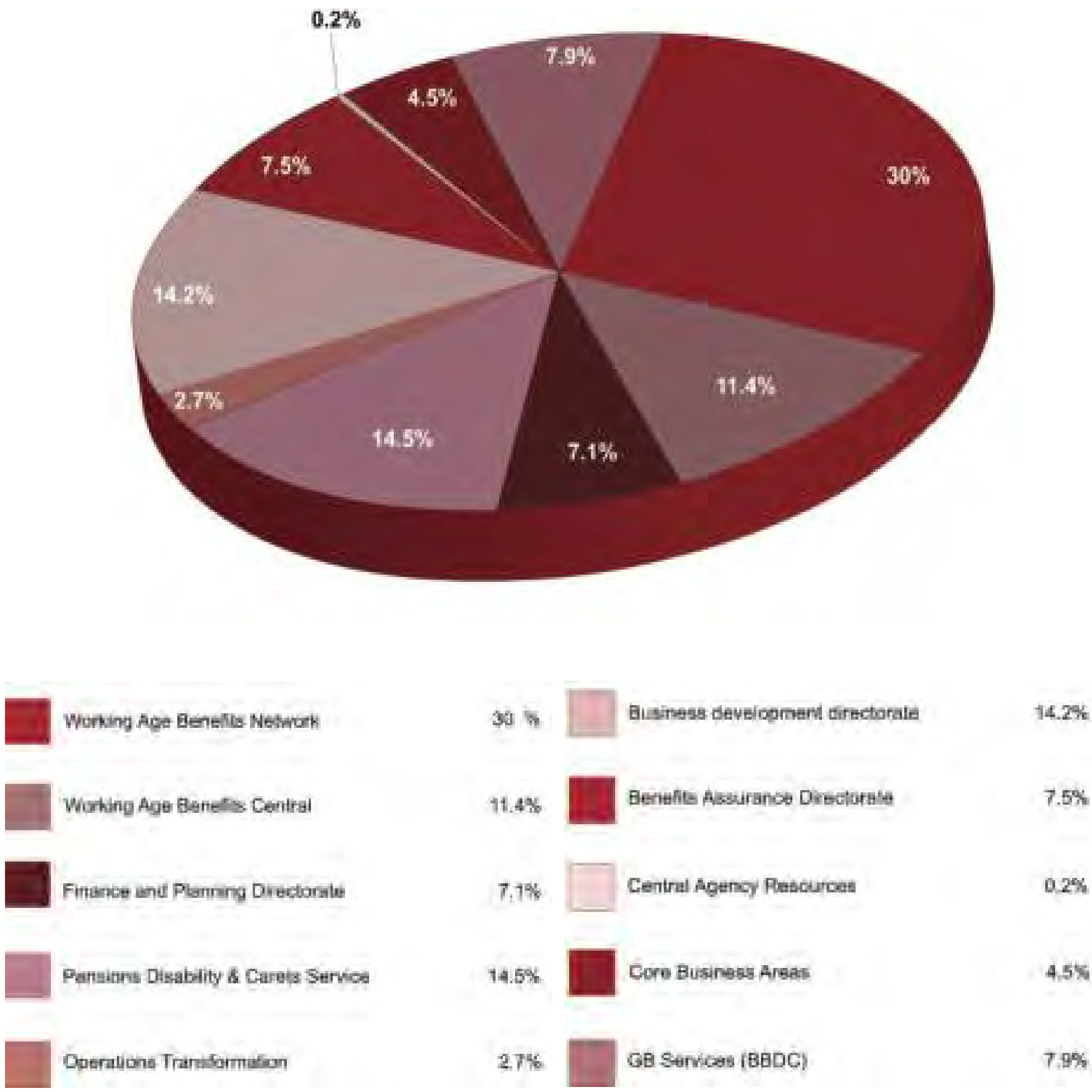
Spending on Benefits by broad groups of beneficiaries 2010-11



Spending on Benefits =[1]	Percentages	Values £'000
Disability and Carers	24.5%	1,050,635
Jobs and Benefits	26.2%	1,119,533
Pension Age	49.3%	2,109.848

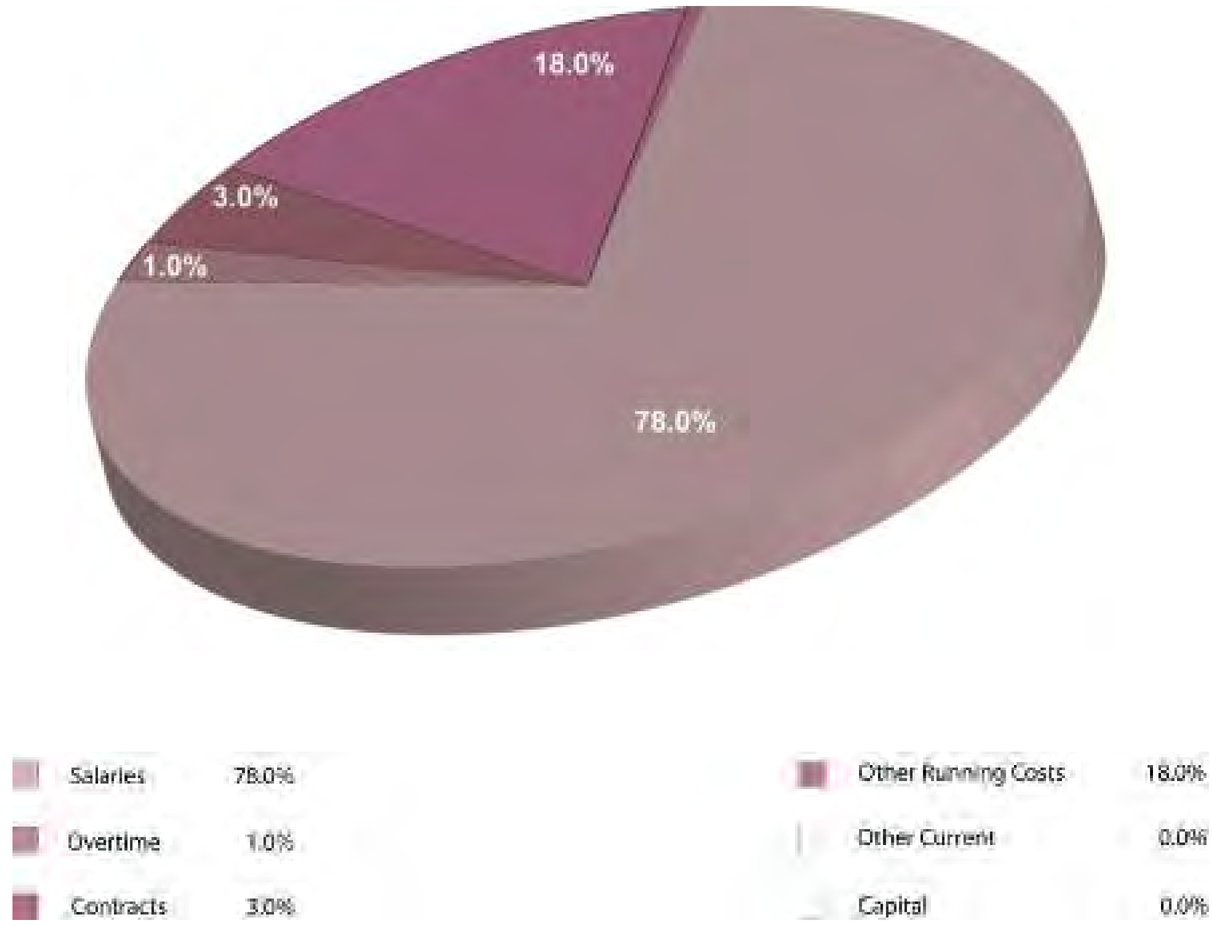
[1]- The above figure for spending on benefits £4,280,016k, does not include the amounts for Crisis Loans, Budget Loans and Funeral Payments and does not include repayments of loans and other receipts.

Patterns of Spending by Business Area 2010-11



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

Patterns of Spending by type 2010-11



Salaries	78.0%
Overtime	1.0%
Contracts	3.0%
Other Running Costs	18.0%
Other Current	0.0%
Capital	0.0%

Total spending = £228.973 million (£228.797 million Resource costs and £0.176 million Capital costs)
NB. Non-Cash figures are excluded from above spends

Benefit Changes in 2010-11

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 sufficient National Insurance contributions having been paid. The main contributory benefits are State Retirement Pension, Bereavement Benefits, Incapacity Benefit and Jobseeker's Allowance (contribution-based). The rates increase annually in line with the retail prices index (RPI). Here are some examples for 2010-11:

- The basic State Retirement Pension for a single person rose from £95.25 to £102.15 and for a couple from £152.30 to £160.95;
- Jobseeker's Allowance (contribution-based) for a single person over 25, went from £64.30 to £67.50; and
- Incapacity Benefit went from £89.80 to £94.25 for a single person on the ‘long term’ rate.

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. The rates are increased annually with some examples for 2009-10 listed below:

- Income Support and Income-based Jobseeker's Allowance for a single person over 25 went up from £64.30 to £67.50; and
- Income Support and Income-based Jobseeker's Allowance for a couple with one child aged 12, went up from £160.32 to £168.28.

Other Benefits

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

- Severe Disablement Allowance increased from £57.45 to £62.95 and Carer's Allowance increased from £53.10 to £55.55;

- the higher rate of Attendance Allowance and the highest rate of the care component of Disability Living Allowance increased from £70.35 to £73.60; and

- the higher rate of the mobility component of Disability Living Allowance increased from £49.10 to £51.40.

For example, the disability benefit for a family with a disabled child of 12 receiving Disability Living Allowance (highest rate care and higher rate mobility component) and Carer's Allowance rose from £172.55 to £180.55.

Employment and Support Allowance (ESA) was introduced on 27 October 2008. ESA is an integrated contributory and income-related allowance for anyone who claims benefit on the basis they have a health condition or disability which affects their ability to work. Customers undergo a 13 week assessment period; after week 13, if they pass the Work Capability Assessment, customers enter the main phase in which they will receive either the Support component or Work Related Activity component. ESA is a complex benefit made up of several different rates, components and premiums. ESA rates have increased for 2010-2011, with some examples listed below:

- Assessment phase ESA for a single person aged 16-24 increased from £51.85 to £53.45;

- Main phase ESA for a single person increased from £65.45 to £67.50, and for a couple increased from £102.75 to £105.95;

- The Work Related Activity component increased from £25.95 to £26.75 and;

- The Support component increased from £31.40 to £32.35.

Annual Accounts 2010-2011 Part 4

Contents

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Northern Ireland Social Security Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Social Security Agency and of its income and expenditure, taxpayers equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Department for Social Development has appointed the Chief Executive of the Northern Ireland Social Security Agency as Accounting Officer for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Northern Ireland Social Security Agency’s assets are set out in the Accounting Officers' Memorandum. This is issued by the Department of Finance and Personnel and published in “Managing Public Money Northern Ireland".

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 and the Department'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 Managing Public Money NI.

As Accounting Officer I am responsible for ensuring that the Department's Minister and Permanent Secretary are regularly informed of the ongoing management of key Agency risks through briefing reports and meetings. Formal assurance is provided by myself through the current reporting arrangements in place for the Departmental Risk Register, which contains associated risks against 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 Minister and the Permanent Secretary on the Agency's performance against business targets and key areas of operations.

To enable me to complete this Statement on Internal Control I have also drawn on assurances received from the Permanent Secretary in the Department of Finance and Personnel on the various components of Enterprise Shared Services including Account NI which is responsible for the Agency's transaction processing arrangements, HR Connect which is responsible for the Agency's Human Resource management arrangements and IT Assist which is responsible for providing IT support services in the Agency.

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 only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2011 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 identified, managed and that appropriate controls are in existence and utilised accordingly.

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;
- Corporate and strategic risks will be identified as an integral part of the business planning process;
- 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;
- all new business activities will be assessed for key risks and suitable controls and actions put in place;
- progress on the management of risks is reported to, and reviewed quarterly by the Agency Management Board through the Agency's existing monitoring and reporting mechanisms; and
- the Audit Committee will support the process by providing an independent scrutiny.

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 within all aspects of its business and through its planning, monitoring and reporting cycles. In addition staff are made aware of risk management and supported 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 Framework on the Agency's Intranet.

The Agency's approach to risk management is therefore inherently embedded throughout its entire planning, monitoring and reporting processes and is therefore subject to continuous review throughout the year. Through all various formal and informal management reports, e.g. AMB quarterly reviews of the Agency Risk Register the Agency's system of internal control is under continuous assessment. In addition reports received from Internal Audit, and advice received from the Departmental and Agency Audit Committees all 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.

In addition the Agency's risk and control framework includes additional organisational elements and support arrangements that help to ensure the effectiveness of our risk management processes. These include a specific Agency Audit Committee chaired by a non executive member, a Finance Director's post as required by Managing Public Money NI, (MPMNI), a Governance and Planning Branch that plays a key role in facilitating the Agency's strategic management and corporate governance arrangements and specialist security units such as Error Reduction Division, and the Fraud Policy Unit. Where necessary the Department's Corporate Investigation Unit undertake internal staff investigations on behalf of the Agency.

Due to the nature and operational delivery of the Agency's business the Agency is responsible for the processing and storage of a significant amount of personal and sensitive information which is entrusted to us by our customers to enable us to provide a service to them. When dealing with this information Data Protection legislation requirements are considered at all times. The Department has a Senior Information Risk Owner at Board level and Information Asset Owner's across all Departmental business areas to ensure that risks to information are identified and managed at an appropriate level. The Agency has an Information Asset Owner who represents the Agency in the Department's Information Asset Owner's forum.

I receive regular assurance that the information used for Agency operational and reporting purposes is handled appropriately and that risks to data or information are managed effectively.

The assurances, and the confirmation that action is taken to manage risk includes the following:

- the inclusion of a risk on the Agency Risk Register which relates to the "loss or unauthorised disclosure of sensitive information";
- Information Transfer Guidance used throughout the Agency which provides staff with procedures which must be applied as a minimum standard when information is being transferred either manually or electronically, and covers both internal transfers and those outside the Agency;
- a Departmental Information Security Policy and a Departmental Information Risk Policy which are applied throughout the Agency;
- a Departmental Information Security Action Plan, which includes the Agency, to give effect to the recommendations from the Department of Finance and Personnel-led Data Protection assessment exercise and guidance contained in the Northern Ireland Civil Service Information Assurance Policy; the Security

Policy Framework; and Cabinet Office best practice with regards to managing information risk;

- standard security questions for use in the Social Security Agency to enable staff to confirm the identity of customers whenever they contact the Agency by telephone;

- provision of encrypted laptops and USB devices to users with a specific business requirement;

- lockdown on the use of removable media devices on the department's IT networks;

- introduction of email content filtering mechanisms by DWP;

- security accreditation of computer systems, this includes the accreditation of specific NI systems used by the Agency in line with HM government standards. The Agency predominantly utilises GB owned computer systems in the delivery of social security benefits. A security concordant exists between the Department of Work and Pensions (DWP) in GB and the Agency/DSD. This ensures that the systems as used by the Agency have the same security accreditation as DWP. In addition the security access control and checks that are applicable to the DWP IT systems are adopted by the Agency e.g. the use of sign–on swipecards, user access limitations and regular security audits;

- in relation to the provision of Agency data to third parties the appropriate procedures for the transfer of the data are embodied within the Information Transfer Guidance as above. The Agency also refers to the Departmental Personal Information Policy which provides an overview of the policy principles to be considered when staff disclose personal information. Procedural guidance also states that staff must comply with the Data Protection Act 1998 and within the Agency there are Local Data Protection Officers who look after disclosure issues;

- provision of data protection training to all staff in the Agency; and

- the deployment of Security Specialists to monitor existing operational procedures, provide assurance that controls are in place, that systems are secure, used appropriately and that all relevant guidance is adhered to. Security Specialists can complete Audit Trail Analysis checks verifying proper access control to customer information and also identify risks in processes following which they make recommendations to senior management to mitigate same.

At an overall Agency level, risk management is an integral part of the corporate and business planning and decision-making processes of the Agency Management Board. Agency Directors carry out monthly reviews and updates on key Directorate risks. Updates and assurance on information risk management are provided at each individual Grade 7 level to the appropriate Director. Any exceptions to the process are highlighted on the respective Certificates of Assurance with the remedial action to address the underlying issue also noted as part of this procedure. Any issues raised are then taken to the Agency Management Board for review and consideration at the organisational level.

The 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 which details the risk policy, approach and operating procedures. The Risk Management Framework and all related guidance and documentation 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 Agency's *Corporate Risk Register* is an integral part of the Agency's Risk Management Policy and approach. The Risk Register records the status of each risk and actions taken to manage the risk.

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 mechanisms, e.g. Agency Annual Review, Internal Audit annual reviews and the work of the Agency Audit Committee.

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 executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, the work of the internal auditors, 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 SSA 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 throughout the year;

- identified the significant risks that face the Agency for the year 2010-11 and agreed the management of controls; and,

- as in previous years, formalised the significant risks arising for the future year together with the controls necessary to manage, report and review these risks, and communicate these risks throughout the organisation.

The integrated Agency processes, which operate to ensure risk management and internal control issues are regularly reviewed and reported at the appropriate level, provides assurance that effective internal control mechanisms are maintained and developed.

An Audit Committee supports 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 headed by an independent Chairperson;

- 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 reports regularly to the Agency Management Board; and

- advises on the adequacy of management responses to issues as identified by audit activity, and to any separate concerns as raised by the Audit Committee itself.

The DSD Internal Audit Unit provides an independent and objective opinion to the Accounting Officer on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the objectives of the Agency. 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 relied on the following evidence:

- the Agency's Corporate Governance Framework;
- a Business Plan for 2011-12 that will deliver Programme for Government (PfG) 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 and the Balanced Scorecard process;
- quarterly monitoring of progress against the Agency's Business Plan for 2010-11 that includes reporting, against PSA objectives;
- quarterly monitoring of progress against 2010-11 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;
- a Fraud and Error Reduction Board which provides strategic focus and direction to the planning and delivery of error reduction activity across all benefits;
- an Agency Modernisation Board which meets bi-monthly and has overall responsibility for the Social Security Agency's Modernisation Programme. It supports the delivery of programmes and projects within the Portfolio;
- 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 all Directors;
- an internal follow-up system to ensure that internal audit recommendations are implemented; and

- a review of the Agency's Corporate Governance Framework, Risk Management Policy and the effectiveness of the Audit Committee as outlined below.

During the year the Agency revised its Corporate Governance Framework to ensure that the document adheres to best practice and complies with DFP guidance. The findings and recommendation of the End to End review of the Audit Committee, which covered areas such as independence, membership, training and administrative processes were implemented during the year. Two new independent members were appointed to the Agency's Audit Committee from September 2010. In December 2010 AMB agreed that the Agency's approach to risk management should be revised and aligned to the Department's Risk Management Policy and Guidance. AMB approved the revised Agency's Risk Management Framework for 2011-12 at their April 2011 meeting.

The Agency Management Board and myself as Accounting Officer also recognise the importance of the maintenance and the development of the Agency's risk management and review processes to ensure they continue to be both relevant and effective. Through the Agency's extensive use of the Risk Register and Certificate of Assurance processes, throughout all levels of the organisation, the Agency clearly has in place highly developed corporate governance and risk management reporting and review process. In turn, the in depth use and effectiveness of these processes by the Agency is clearly evidenced by the degree of changes and amendments to the relevant documentation that support these processes for example, the in year changes and revisions made to the 2010-11 Agency's Risk Register. The revisions made in year to the Risk Register arose from Agency management as a response to the emerging changes and challenges they experienced and included the potential impact of Budget 2010. The various revisions to the Risk Register clearly reflect that the documentation used to support the Agency's risk and corporate governance processes are visibly 'live' documents that are both current and evolving. It is also important to note that all changes to the Agency's Risk Register were subject to presentation and approval by the Agency's Audit Committee. The work of the Committee, and its role within the organisation, provides a level of assurance to myself and the Board that our risk management and review processes are effective and appropriate. In addition the annual review from DSD Internal Audit of the corporate governance and risk management processes considered the adequacy of the risk management process already established within the Agency. For the 2010-11 year the Agency received substantial assurance in relation to this area.

6. Significant internal control problems

For 2009-10, the NI Comptroller and Auditor General (C&AG) qualified his opinion on the regularity of benefit expenditure, with the exception of State Pension (SP), because of the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Assembly and because of the level of over and underpayments in such benefit expenditure which are not in conformity with the relevant authorities.

During 2010-11 the reduction of fraud and error remained one of the Agency's key priorities. The regular monitoring and measuring of Official Error, Customer Error and Customer Fraud continued through the Agency's Financial Accuracy and Benefit Review processes.

For 2010, the Agency reported a consistent performance for the reported estimates for overpayments and underpayments arising from benefit fraud and error and these estimates included, for the first time, the Employment and Support Allowance benefit:

- Estimated overpayments of £48.2m, or 1.1% of total benefit spend. (2009: £46.8m or 1.1%); and

- Estimated underpayments of £20.7m, or 0.5% of total benefit spend. (2009: £21.5m or 0.5%).

A range of activities including Accuracy Improvement Planning, Direct Intervention Error Reduction activities, Quality Forums, Customer Compliance interviews and Criminal Investigations are in place to reduce social security benefit fraud and error. The Agency's work in analysing fraud and error outcomes, and targeting high risk high value cases remains key to maintaining its performance.

During 2010-11 the Agency's targeted error reduction activity, which is additional to its normal checking procedures, exceeded target. This work involved over 90,450 case checks and resulted in over 14,000 corrections with a value of adjustment to the amount of benefit paid totalling around £39.3 million. The Agency has achieved significant value for this investment with every £1 spent on targeted activity generating a return of just over £19.

The impact of the Agency's counter fraud activities again reflects further improvement in this year's outcome. In total 1128 sanctions were imposed during 2010 -11, compared to 982 in the previous year, an increase of 15% and the highest number of sanctions ever achieved. In addition, the Agency's Financial Investigation Unit brought about the recovery of £506,131 of criminally obtained assets by way of confiscation orders obtained through the Courts and additional voluntary payments.

This year the Agency established a new Customer Compliance team who examine a particular range of case referrals that are at risk of error or may potentially be fraudulent. The aim of the team is to help tackle more cases of customer error more effectively and thereby enable fraud specialists to concentrate on and maximise their criminal intervention activities. Early progress and performance is very encouraging with changes of circumstances discovered in 21.4% of all customer compliance interventions. The Compliance Team was only fully operational for half the financial year and error was identified in 612 cases equating to a value of over £2m.

Looking forward the Agency is contributing to the review of Fraud and Error currently being undertaken by the Department for Work and Pensions and HM Revenue and Customs (HMRC).The Fraud and Error Strategy sets out a joint approach to tackling fraud and error in the benefits and tax credits systems and contains a wide range of new initiatives many of which will be helpful and relevant in tackling fraud and error in the NI social security system. The Agency now has representation on all the GB programme and project boards with a view to influencing the design principles in a

Northern Ireland context. The Agency is also in the process of developing its own Fraud and Error Implementation project. In addition in 2010-11 the Agency has continued to positively contribute towards the Northern Ireland Audit Office's (NIAO) National Fraud Initiative (NFI) exercises and this work will be ongoing throughout 2011-12.

All of this Agency's activity continues to be monitored and directed at senior level via the Agency's Fraud & Error Reduction Board who also agreed a three year Error Reduction Strategy published on the internet in early 2010-11.

The C&AG placed a limitation in audit scope qualification on the Agency's annual 2009-10 accounts in relation to the Agency's application of the International Financial Reporting Standards (IFRS) to specific IT and project costs incurred. These issues were successfully resolved during the audit of the Agency's 2010-11 interim accounts.

The Agency is responsible for the production of the NI Social Fund White Paper accounts and during the 2010-11 financial year the Agency took forward discussions with the NI Audit Office concerning the audit opinion on these accounts. A conclusion was reached and two qualifications have been applied to the NI Social Fund White Paper accounts for the 2006-07 and 2007-08 financial years. One of the qualifications mirrors the irregularity opinion on the Agency annual accounts and concerns the material level of estimated error in Social Fund payments. The second qualification concerns a limitation in audit scope and a lack of audit evidence to support specific notes within the accounts that detail the outstanding Social Fund loan balances. In relation to this matter the Agency is working closely with finance colleagues in the Department for Work and Pensions in GB to resolve the issue.

The Agency Annual Audit Report 2010-11 has been finalised. DSD Internal Audit considered the adequacy of the risk management process established within the Agency and the corporate governance control and review arrangements. A substantial assurance rating was awarded for this area. In relation to both programme and resource expenditure the work by DSD Internal Audit confirmed that there was an adequate and effective level of control in place.

Tommy O'Reilly
Chief Executive
Date: 29 June 2011

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Northern Ireland Social Security Agency for the year ended 31 March 2011 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Basis for Qualified Opinion on Regularity arising from erroneous benefit awards and payment of fraudulent claims

The total amount paid in benefits is £4.3 billion, of which £1.7 billion relates to expenditure on State Pension which has a low level of fraud and error and on which I have not qualified my opinion on regularity. In respect of the other benefits amounting to £2.6 billion, the levels of fraud and error, as reported in Note 26 to the accounts resulted in total overpayments of £47.5 million and underpayments due to official error of £13.7 million. The benefit overpayments are irregular as the expenditure has not been applied in accordance with the purposes intended by the Northern Ireland Assembly and also because fraudulent transactions are by definition irregular since they are without proper authority. In addition both over and underpayments arising because of official error are irregular because the Department is required to calculate benefits in accordance with primary legislation which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid.

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

Opinion on Regularity

In my opinion, except for the £61.2 million of incorrect benefit expenditure attributable to fraud and error referred to above, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001;

and

- the information given in the Chief Executive's Report, the Directors' Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

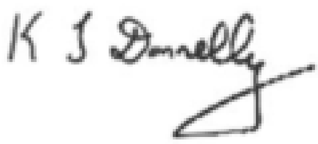
- adequate accounting records have not been kept; or

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit.

- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

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



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

29 June 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

		2010-11 £'000			Restated 2009-10 £'000		
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income
Resource Costs:							
Staff Costs	**2**	**135,595**			143,440		
Other resource costs	**3**		**71,205**			127,813	
Operating Income	**8**			**(48,940)**			(50,202)
Programme Costs:							
Staff Costs	**2**	-			-		
Programme Costs	**4**		**4,285,731**			4,166,712	
Income	**8**			**(6,832)**			(6,569)
Totals		**135,595**	**4,356,936**	**(55,772)**	143,440	4,294,525	(56,771)
Net Operating Cost				**4,436,759**			4,381,194

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011 (Cont.)

Other Comprehensive Expenditure	Note		2010-11 £'000		Restated 2009-10 £'000
Net gain/(loss) on revaluation of Property, Plant and Equipment	**9**		**(727)**		(1,895)
Net gain/(loss) on revaluation of intangibles	**10**		**8**		7
Net gain/(loss) on revaluation of available for sales financial assets			**-**		-
			(719)		(1,888)
Total Comprehensive Expenditure for the year ended 31 March 2011			**4,437,478**		4,383,082

The notes on pages 95 to 172 form part of these accounts.

Statement of Financial Position as at 31 March 2011

	Note	31 March 2011 £'000		Restated 31 March 2010 £'000	
Non-Current Assets:					
Property, Plant and Equipment	**9**	**11,785**		14,271	
Intangible Assets	**10**	**252**		209	
Trade and Other Receivables	**13**	**92,726**		89,154	
Total non-current assets			**104,763**		103,634
Current Assets:					
Trade and Other Receivables	**13**	**95,335**		88,447	
Cash and Cash Equivalents	**14**	**2,840**		3,062	
Total Current Assets			**98,175**		91,509
Total Assets			**202,938**		195,143
Current Liabilities:					
Trade and Other Payables	**15**	**(88,941)**		(94,956)	
Provisions	**16**	**(2,124)**		(47,896)	
Total Current Liabilities			**(91,065)**		(142,852)
Non-current assets plus/less net current assets/liabilities			**111,873**		52,291
Non Current Liabilities:					
Provisions		**(20)**		-	
Other Payables		**(18,288)**		(16,805)	
Total Non Current Liabilities			**(18,308)**		(16,805)
Assets less Liabilities			**93,565**		35,486
Taxpayers Equity:					
General Fund			**91,519**		24,998
Revaluation Reserve			**2,046**		10,488
Total Taxpayer's Equity			**93,565**		35,486

The Notes on the pages 95 to 172 form part of these accounts

Tommy O'Reilly
Chief Executive

29 June 2011

Statement of Cash Flows for the year ended 31 March 2011

	Note	Year Ended 31-Mar 2011 £'000	Restated Year Ended 31-Mar 2010 £'000
Cash flows from operating activities			
Net Operating Cost		**(4,436,759)**	(4,381,194)
Adjustment for non-cash transactions	**3,4,16**	**23,666**	72,307
(Increase)/decrease in net trade and other receivables	**13**	**(10,460)**	(40,611)
(Increase)/decrease in paying agents	**14**	**222**	1,002
Increase/(decrease) in net trade and other payables	**15**	**(4,532)**	28,212
Use of provisions	**16**	**(45,311)**	(233)
Net cash outflow from operating activities		**(4,473,174)**	(4,320,517)
Cash flows from investing activities			
Purchase of property, plant and equipment	**9**	**(64)**	(14)
Purchase of intangible assets	**10**	**(112)**	(81)
Net cash outflows from investing activities		**(176)**	(95)
Cash flows from financing activities			
Request for Resources A		**2,279,515**	2,194,215
National Insurance Fund		**2,066,744**	2,001,831
Social Fund		**114,062**	112,868
Amounts due from/(to) consolidated fund - financing	**13, 15**	**3,681**	1,850
Amounts due from the consolidated fund - financing NIF	**13**	**9,348**	9,848
Net Financing		**4,473,350**	4,320,612
Cash and cash equivalents at the beginning of the period	**14.2**	**-**	-
Cash and cash equivalents at the end of the period	**14.2**	-	-

The notes on pages 95 to 172 form part of the accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2009		**60,103**	**12,375**	**72,478**
Changes in taxpayers' equity for 2009-10				
Net gain/(loss) on revaluation of land, buildings, information technology & furniture and fittings	**9**	-	(1,894)	**(1,894)**
Net gain/(loss) on revaluation of intangible assets	**10**	-	7	**7**
Net cash inflow from financing		4,320,611	**-**	**4,320,611**
CFERs payable to the Consolidated Fund		**-**	-	**-**
Comprehensive Expenditure for the Year (restated)		(4,381,193)	-	**(4,381,193)**
Non-cash changes - cost of capital (restated)	**3/4**	-	-	**-**
Non-cash changes - auditor's remuneration	**3**	158	-	**158**
Non-cash changes - other notional charges	**3**	25,320	-	**25,320**
Movements in Reserves		-	-	**-**
Additions		-	-	**-**
Recognised in Statement of Comprehensive Expenditure		-	-	**-**
Transfer between Reserves		-	-	**-**
Restated Balance at 31 March 2010		**24,999**	**10,488**	**35,487**

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011 (Cont.)

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Changes in taxpayers' equity for 2010-11				
Balance at 31 March 2010		24,999	10,488	35,487
Opening Balance Adjustment	**9b**	7,704	(7,704)	-
Restated Opening Balance at 1st April 2010		32,703	2,784	35,487
Net gain/(loss) on revaluation of land, buildings, information technology & furniture and fittings	**9**	-	(727)	(727)
Net gain/(loss) on revaluation of intangible assets	**10**	-	8	8
Net cash inflow from financing		4,473,349	-	4,473,349
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Expenditure for the Year		(4,436,759)	-	(4,436,759)
Non-cash changes - cost of capital	**3/4**	-	-	-
Non-cash changes - auditor's remuneration	**3**	129	-	129
Non-cash changes - other notional charges	**3.3**	22,078	-	22,078
Movements in Reserves		-	-	-
Additions		-	-	-
Recognised in Statement of Comprehensive Expenditure		-	-	-
Transfer between Reserves - Realised Depreciation		19	(19)	-
Balance at 31 March 2011		**91,519**	**2,046**	**93,565**

The notes on pages 95 to 172 form part of the accounts

Notes to the Accounts

for the year ended 31 March 2011

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency for the year ending 31 March 2011 are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

Accounting Standards that have been issued but have not yet been adopted

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

1.1 Accounting Convention

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

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (NI) Order 1986 and 1990, IFRSs' issued or adopted by the Accounting Standards Board, and accounting and disclosure requirements issued by the DFP as far as those requirements are appropriate.

1.2 Financial Instruments

The following are the key accounting policies used from 1 April 2010 to reflect the adoption of Financial Instruments under the IFRS (IAS 32, IAS 39 and IFRS 7).

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

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

Financial Instruments are initially recognised at fair value unless otherwise stated. Fair value is the amount at which such an instrument could be exchanged in an arm's length transaction between informed and willing parties.
Financial Instruments are subsequently carried at amortised cost using the effective interest method, with changes in value between the 1 April 2010 - 31 March 2011 recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

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

(i) Cash and Cash Equivalents

- Programme and Resource Financing
- Cash with Paying Agents
- Encashment Control
- NIF Debtor

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

Cash and cash equivalents also comprise of funding voted by the Assembly to meet the Agency's resource requirements (Programme and Resource Financing), Encashment Control,and Cash with Paying Agents. Cash with Paying Agents are monies deposited with Santander Corporate Banking to facilitate benefit payments to customers and so result from funding arrangements. The NIF debtor represents the balance at the year end of the funding provided to the Agency by Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits. The Encashment Control represents the balance of cheques outstanding at the period end. These amounts are due within one year and have no impairment indicators.

(ii) Loans and Receivables

- Benefit Overpayment Receivables
- Social Fund Loans

Loans and receivables are non derivative financial assets with fixed or determinable payments which are not quoted on an active market and which are not classified as available for sale. Loans and Receivables are assessed at the end of each accounting period and reduced, where appropriate to its estimated recoverable amount through making an impairment based on forecast cash and benefit deduction recoveries. In addition, the Agency applies a discount factor to estimate the present value of the cash flows.

(iii) Other Liabilities

- Programme and Resource payables and accruals

Contractual Programme and Resource payables and accruals are non-derivative Financial Instruments. These amounts are due within one year and have no impairment indicators.

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

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

Interest determined, impairment losses and translation differences on monetary items are recognised in the Statement of Comprehensive Net Expenditure.

Risk Management

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

Liquidity Price Risk

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

Credit Risk

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

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the Statement of Financial Position . For Benefit Overpayment

Receivables and Social Fund Loans the exposure to credit risk is the amount of the receivable or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Agency is exposed to is the balance of the net Benefit Overpayment Receivables and the net Social Fund Loans, disclosed in Note 13 of the accounts.

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

The economic downturn may also increase the amount of credit risk the Agency is exposed to for future reporting periods. This may potentially impact on the recoverability of Benefit Overpayment Receivables and Social Fund Loans from customers.

Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Agency has discounted the forecast future cash flows for estimated recoveries and write offs for Benefit Overpayment Receivables and Social Fund Loans. The discount rate applied is the Treasury's real rate of 3.5%. The Treasury's discount rate is substantially independent of changes in market interest rates.

Sensitivity Analysis

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

1.3 Benefit Overpayment Receivables

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

Overpayments are referred to Debt Centre Northern Ireland (DCNI) for collection using overpayment recovery procedures appropriate to the respective nature of the overpayment.

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

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

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

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

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

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

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

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

1.4 Estimation Techniques

Financial Instruments - Fair Value Adjustment:

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

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

Benefit Overpayment Receivables

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

Employee Benefits

The estimation technique employed in the calculation of Employee Benefits is disclosed in note 1.18.

Provisions

The estimation technique employed in the calculation of Provisions is disclosed in note 1.20.

NHS Trusts' balance

An exercise is completed each year by the Agency's Compensation Recovery Unit (CRU) to estimate the potential value of those claims awaiting settlement from the insurance companies and due to the Health Service Trusts (HST). The CRU collects the monies due from the insurance companies on behalf of the HST, and those amounts are then forwarded to the Trusts themselves. The CRU estimate is based on the number of claims outstanding and the associated medical costs applicable to each claim. For clarity and transparency purposes the amount due to HST is disclosed as a receivable and a corresponding payable within the Agency accounts. (Note 13 and Note 15).

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

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

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

Externally and internally developed computer software costing greater than the £5,000 capitalisation threshold is classified as non-current Intangible Assets.

Internally developed computer software is capitalised if it meets the criteria in IAS 38 Intangible Assets. Where appropriate, costs are classified as assets under construction until the asset is available for use when the asset is then transferred to its relevant asset class. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Costs associated with the maintenance of software are also recognised as an expense when incurred.
On initial recognition property, plant and equipment and intangible assets are measured at cost including any expenditure, such as installation, directly attributable to bring them into working condition. It is not the Agency's policy to pool assets.

PPE and Intangible Assets are then included in the Statement of Financial Position at their net current replacement cost.

Land and Buildings have been restated at current cost using professional valuations applied by the Land and Property Services (LPS) every five years and appropriate indices in intervening years. The valuations are carried out by members of the Royal Institute of Chartered Surveyors (RICS) in accordance with procedures laid out in the RICS Appraisal and Valuation Manual. The last valuation was at the 31 March 2009.

Land and buildings, property, plant and equipment and intangible assets are revalued by reference to appropriate HM Treasury approved indices. The revaluations for the 2010-11 financial year were based on indices applicable at December 2010. (For the previous financial year the February 2009 indices were used).

1.6 Depreciation and Amortisation

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

The estimated useful economic lives used to calculate depreciation are:

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

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

No depreciation is provided on freehold land.

1.7 Land and Buildings and Property Improvements

Land and buildings within the Statement of Financial Position include the Belfast Benefit Delivery Centre located at 31 Chichester Street, Belfast, and the Lisahally Processing Unit located at 28 Temple Road, Lisahally.
All of the work carried out by the Belfast Benefit Delivery Centre relates to processing services provided to the Department for Work and Pensions (DWP) in Great Britain (GB).

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

1.8 Resource Income

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

Programme income compromises of repayments of benefits recouped from Child Maintenance Enforcement Division (CMED) Income and from insurance companies which is referred to as Compensation Recovery Unit (CRU) Income.

Operating income is stated net of VAT.

1.9 Resource and Programme Expenditure

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

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

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

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

1.10 National Insurance Fund (NIF)

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

1.11 Inventories

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

1.12 Cash and Cash Equivalents

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

The total of the centrally held bank balances are disclosed in the Departmental Resource Accounts.

1.13 VAT

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

1.14 Capital Charge

In line with direction provided by the Department of Finance and Personnel no Cost of Capital charge has been included for the 2010-11 accounts. In relation to the charge for the previous 2009-10 financial year, a Prior Period Adjustment (PPA) has been made. The PPA has impacted on the comparative year figures included in the following Primary Financial Statements within the accounts.

Statement of Comprehensive Net Expenditure: Comparative figures for the Other Resource Costs and Programme Cost

Statement of Cash Flows: Comparative figures for the Net Operating Cost and adjustments for non cash transactions

Statement of Changes in Taxpayers Equity: Comparative figures for the comprehensive Expenditure for the year and non cash charges - Cost of Capital

1.15 Leasing

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

1.16 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 Statement of Comprehensive Net Expenditure as they accrue. There is a separate scheme statement for the PCSPS(NI) as a whole.

1.17 Early Departure Costs

The Agency must meet the additional costs of benefits beyond the normal PCSPS(NI) benefits for employees who retire early from the date of their retirement until they reach normal pensionable age. The Agency provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes. The total costs are recognised in the year in which the announcement is made and the obligation is binding on the Agency. The estimated payments are discounted at the Treasury discount rate of 2.9% in real terms.

1.18 Employee Benefits

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. For 2010-11 Financial Year the employee benefit accrual is based on information from the HR Connect Payroll System. The accrual is calculated based on the actual leave amount outstanding per employee as at 31 March 2011, multiplied by the actual staff salary rate. Employers NIC costs at 9.1% and Employers Pension at 22% are added to this amount to provide the total employee benefit accrual figure for the Financial Year end.

For the comparative year the employee benefit accrual was estimated using average staff numbers, average salary costs, and an average untaken leave balance. The average untaken leave balance was based on the results of a survey of NICS staff undertaken in 2008.

1.19 Contingent Liabilities

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

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

1.20 Provisions

The Agency provides for legal or constructive obligations, which are of uncertain timing or amount at the accounting period end date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. Provisions can relate to early retirement costs, superannuation contributions, potential legal actions and provision for future liabilities in respect of contracts, as the Agency considers appropriate. Where the effect of the time value of money is significant the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury currently 2.2%, (2009-10 2.2%) for Personal Injury and Equal Opportunities and 2.9% (2009-10 2.2%) for Early Departures.

The Compensation Recovery Unit (CRU) provision is an amount which is estimated by the Agency for CRU overpayments which the Agency may not be able to fully recover. The estimate is based on the value of appeal and review cases outstanding at the financial period end. The provision is calculated using a percentage amount based on the historical trends of past cases.

1.21 Funding from the parliamentary vote

Vote funding is not treated as income on the face of the Statement of Comprehensive Net Expenditure, instead cash voted and drawn down is credited to the Agency's General Fund.

1.22 Operating Segments

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

The Agency has completed a review against the criteria set out in IFRS 8 and considers that the disclosure format within the accounts meets IFRS 8 criteria. The Agency's 'Resource' expenditure represents 3.5% of total spend and therefore does not meet the 10% threshold set out in IFRS 8. The Agency's 'Programme' expenditure represents the remaining 96.5%. This expenditure is reported to the Agency Management Board and details the spend for each of the main six social security benefits. The Agency's annual accounts provide more detailed information on Programme expenditure than that provided to the Agency Management Board.

1.23 Payment Accuracy

In Note 26 to the accounts, 'Payment Accuracy' the Agency has detailed the estimated amounts for 2010 of overpayments and underpayments arising from social security benefit fraud and error. The note details the methodology used to determine the estimated over and underpayments, highlights any recent changes to the methodology used, and provides a breakdown for the current and prior year of the total over and under payments attributable to official error, customer error and customer fraud.

1.24 Benefit Expenditure

When the Agency identifies a benefit overpayment an adjustment to benefit expenditure is made in the financial year in which the overpayment has been identified, to recognise the overpayment as a benefit receivable. See Note 4.1c.

2 Staff numbers and related costs

2.1 Staff costs comprise:

	2010-11			2009-10		
	Total £'000	Permanently employed staff £'000	Others £'000	Total £'000	Permanently employed staff £'000	Others £'000
Wages and salaries	**108,926**	**107,416**	**1,510**	117,981	114,980	3,001
Social security costs	**7,189**	**7,189**	**-**	7,480	7,480	-
Other pension costs	**19,480**	**19,480**	**-**	17,999	17,999	-
Sub Total	**135,595**	**134,085**	**1,510**	143,460	140,459	3,001
Less recoveries in respect of outward secondments	**-**	**-**	**-**	(20)	(20)	-
Total net costs	**135,595**	**134,085**	**1,510**	143,440	140,439	3,001

Staff costs exclude £0.112m charged to capital projects during the year (2009-10 £0.081m).

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. The Agency staff are members of the Principal Civil Service Pension Scheme (PCSPS) (NI), 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. A full actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2010-11, employer contributions of £19.480m were payable to the PCSPS(NI) (2009-10: £17.999m) at one of four rates in the range 18% to 25% of pensionable pay (2009-10: 16.5% to 23.5%), based on salary bands.

The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates were revised for 2010-11 and will remain unchanged. 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 or a stakeholder pension with an employer contribution. Employer contributions of £0.027m (2009-10: £0.030m) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% (2009-10: 3%) to 12.5% (2009-10: 12.5%) of pensionable pay. Employers also match employee contributions up to 3% (2009-10: 3%) of pensionable pay. In addition, employer contributions of £0.001m (2009-10: £0.002m), 0.8% (2009-10: 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 2011 were £nil (31 March 2010: £nil).

In 2010-11, 29 individuals (2009-10: 15) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.042m (2009-10: £0.022m).

2.2 Average number of persons employed

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

	2010-11			2009-10		
	Total	**Permanent staff**	**Others**	**Total**	**Permanent staff**	Others
Directly employed	**5,143**	**5,143**	**-**	5,389	5,389	-
Other	**94**	**-**	**94**	69	-	69
Staff engaged on capital projects	**-**	**-**	**-**	-	-	-
Total	**5,237**	**5,143**	**94**	5,458	5,389	69

2.3 Early departure costs

There was 1 early retirement from the Agency during 2010-11 (2009-10: nil). The total pension cost of this decision, which will be funded in full by the Agency is £0.036m (2009-10: £nil). The amount owed to DFP in respect of early retirement costs prior to 31 March 2011 is £0.025m (2009-10: £0.002m) and is included within 'other payables'. In accordance with FReM the entire amount payable from 1 April 2010 to the date of retirement would be discounted using the Treasury rate of 2.9% and included within provisions for liabilities and charges (Note 16).

2.4 Employee Benefits

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at year end. For the 2010-11 financial year the employee benefit accrual is based on information from the HR Connect Payroll System. The accrual is calculated based on the actual leave amount outstanding per employee as at 31 March 2011, multiplied by the actual staff salary rate. Employers NIC costs at 9.1% and Employers Pension at 22% is added to this amount to provide the total employee benefit accrual figure for the financial year end.

The total amount for the Agency's Employee Benefits is included within Resource trade payables and other current liabilities falling due within one year, (Note 15). The movement in year is reflected within the Agency's Statement of Comprehensive Net Expenditure within the staff costs.

2.5 Reporting of Civil Service and other compensation schemes-exit packages 2010-11

	2010-11			2009-10		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band (total cost) (£)**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band (total cost) (£)**
< £10,000	-	**7**	**18,198**	-	5	21,597
£10,000 - £25,000	-	**2**	**25,617**	-	4	69,588
£25,000 - £50,000	-	**8**	**305,657**	-	6	194,584
£50,000 - £100,000	-	**-**	**-**	-	-	-
£100,000 - £150,000	-	**-**	**-**	-	-	-
£150,000 - £200,000	-	**-**	**-**	-	-	-
Total number of exit packages by type	-	**17**	**-**	-	15	-
Total Resource Cost	-	**-**	**349,472**	-	-	285,769

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

3 Other Resource costs

	Note	2010-11 £'000	Restated 2009-10 £'000
Service charges	3.4	2,093	2,330
Travel and subsistence		1,251	1,892
Staff training		399	543
Contracted services		13,010	16,653
Accommodation and related services		2,552	3,852
Rent and service charges		57	50
SSBA charges	3.2	15,443	15,914
Postage		2,205	2,731
Printing and stationery		1,112	1,363
Telecommunication		1,264	1,286
Information technology costs		2,136	2,674
Medical adjudication		3,452	4,802
Management consulting		2	(7)
Miscellaneous expenditure		2,147	985
Non-cash items:			
Permanent diminution	9,10	1,296	-
Depreciation	9	525	751
Amortisation	10	79	137
Cost of capital charge	3.3 b	-	-
Loss on disposal of property, plant and equipment	9,10	-	55
Auditor's remuneration	3.1	129	158
Provision provided in year	16	182	46,357
Provision not required written back		(192)	(49)
Unwinding of discount	16	(16)	16
Notional costs	3.3	22,079	25,320
		71,205	127,813

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

3.2 Operating leases

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

	2010-11 £'000	2009-10 £'000
Land and buildings	**-**	-
Other operating leases	**151**	116
SSBA Charges	**15,443**	15,914
Total	**15,594**	16,030

3.3 Notional costs

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

	Note	2010-11 £'000	2009-10 £'000
Rent		**16,967**	20,590
Other indirect charges & services	(a)	**5,112**	4,730
Total		**22,079**	25,320

Notes:

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

	2010-11 £'000	2009-10 £,000
Services provided and costs incurred by:		
DSD headquarters on behalf of the Social Security Agency	**1,490**	1,507
Other departments	**3,622**	3,223
Total indirect charges and services	**5,112**	4,730

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

(b) In line with direction provided by the Department of Finance and Personnel no Cost of Capital charge has been included for the 2010-11 accounts. In relation to the charge for the previous 2009-10 financial year, a Prior Period Adjustment (PPA) of £0.985m has been made. The PPA has impacted on the comparative year figures included in the following Primary Financial Statements within the accounts.

Statement of Comprehensive Net Expenditure: Comparative figures for the Other Resource Costs and Programme Cost

Statement of Cash Flows: Comparative figures for the Net Operating Cost and adjustments for non cash transactions

Statement of Changes in Taxpayers Equity: Comparative figures for the comprehensive Expenditure for the year and non cash charges, Cost of Capital

3.4 Included within the Service charges is £0.073m representing payments to private sector collection agencies for the recovery of benefit overpayment receivables (2009-10: £0.067m).

4 Programme Costs

4.1 Analysis of Programme expenditure

Benefits funded by Consolidated Fund	Note	2010-11 £'000	Restated 2009-10 £'000
Benefits paid	4.1c	2,093,017	2,041,184
Fair value adjustments	4.1a	3,495	(1,047)
Impairment of programme debt written off	4.2/21	13,112	14,257
Movement on CRU provision		(220)	(230)
Programme expenditure	5	2,109,404	2,054,164

Benefits funded by National Insurance Fund		2010-11 £'000	Restated 2009-10 £'000
Benefits paid	4.1c	2,069,553	2,005,618
Fair value adjustments	4.1a	1,026	1,515
Impairment of programme debt written off	4.2/21	1,904	2,886
Movement on CRU provision		(212)	(224)
Programme expenditure	6	2,072,271	2,009,795

Benefits funded by Social Fund Fund		2010-11 £'000	Restated 2009-10 £'000
Benefits paid	4.1c	105,173	104,359
Fair value adjustments	4.1a	(2,336)	(2,873)
Impairment of programme debt written off	4.2/21	1,219	1,267
Programme expenditure	7	104,056	102,753
Programme benefit costs		4,285,731	4,166,712
Cost of Capital charges	4.1b	-	-
Total Programme Expenditure		4,285,731	4,166,712

4.1a The fair value adjustments are in relation to benefit overpayment receivables and Social Fund Loan balances and are required as per the application of IAS 32, IAS 39 and IFRS 7 during the 2010-11 financial year. For further information see Accounting Policy Note 1.2.

4.1b In line with direction provided by the Department of Finance and Personnel no Cost of Capital charge has been included for the 2010-11 accounts. In relation to the charge for the previous 2009-10 financial year, a Prior Period Adjustment (PPA) of £2.472m has been made. The PPA has impacted on the comparative year figures included in the following Primary Financial Statements within the accounts.

Statement of Comprehensive Net Expenditure: Comparative figures for the Other Resource Costs and Programme Cost

Statement of Cash Flows: Comparative figures for the Net Operating Cost and adjustments for non cash transactions

Statement of Changes in Taxpayers Equity: Comparative figures for the comprehensive Expenditure for the year and non cash charges, Cost of Capital

4.1c When the Agency identifies a benefit overpayment an adjustment to benefit expenditure is made in the financial year in which the overpayment has been identified, to recognise the benefit overpayment as a benefit receivable. The amount of the adjustment made in 2010-11 was £29.520m, (2009-10: £31.642m).

The amounts for benefits funded by the Consolidated Fund and the National Insurance Fund for both the 2010-11 and 2009-10 financial years now include the amounts for CRU income which comprises of benefits which are due to be recovered from insurance compensators. This process is facilitated through the Agency's Compensation Recovery Unit (CRU). The amounts due from the insurance compensators are now included with Programme Income and these are for 2010-11 £6.115m, (2009-10: £5.600m). (Note 8 also refers).

4.2 Impairment of debt written off

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

	Note	2010-11 £'000	2009-10 £'000
Non-contributory benefits			
Disability benefits		**3,347**	4,021
Income support		**3,303**	4,698
Pension benefits		**3,916**	4,052
Other	**4a**	**2,546**	1,486
		13,112	14,257
Contributory benefits			
Pension benefits		**507**	878
Incapacity benefits		**1,112**	1,873
Other	**4b**	**285**	135
		1,904	2,886
Total		**15,016**	17,143

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

Social Fund Loans		2010-11 £'000	2009-10 £'000
Funeral grants		**1,060**	1,131
Other	**4c**	**159**	136
Total		**1,219**	1,267

4a Other non-contributory benefits include, Industrial Injuries, Industrial Death Benefit, Jobseeker's Allowance (JSA) (Non-contributory), and Employment Support Allowance (ESA) (Non-Contributory)

4b Other contributory benefits include Unemployment Benefit, Sickness Benefit, Bereavement Allowance, JSA (Contributory) and Employment Support Allowance (ESA) (Contributory)

4c Other Social Fund includes Budgeting Loans and Crisis Loans.

See also note 21 (losses and Special Payments)

5. Benefit expenditure paid from the Consolidated Fund

	2010-11			Restated 2009-10		
	Programme expenditure £'000	**Programme Income £'000**	**Net expenditure £'000**	Programme expenditure £'000	Programme Income £'000	Net expenditure £'000
Non-contributory and means-tested benefits						
- Pension benefits	**3,713**	-	**3,713**	3,438	-	3,438
- Disability benefits	**1,093,878**	**(2,029)**	**1,091,849**	1,067,056	(1,735)	1,065,321
- Industrial injuries benefits	**29,333**	**(680)**	**28,653**	29,356	(630)	28,726
- Income support for the elderly	**3,848**	-	**3,848**	4,576	-	4,576
- Pension credit	**351,996**	-	**351,996**	351,396	-	351,396
- Family benefits	**5**	-	**5**	(9)	-	(9)
Income support - non-Pensioners and Jobseeker's allowance						
- Income support - non-pensioners	**416,753**	**(1,663)**	**415,090**	440,045	(1,885)	438,160
- Jobseeker's allowance (income based)	**157,878**	**(71)**	**157,807**	130,388	(36)	130,352
- Employment Support Allowance (non contributory)	**50,515**	**(148)**	**50,367**	26,796	(37)	26,759
Job grant	**1,442**	-	**1,442**	1,080	-	1,080
Periodicity and pay days	**43**	-	**43**	42	-	42
5a	**2,109,404**	**(4,591)**	**2,104,813**	2,054,164	(4,323)	2,049,841

5a The figure for programme expenditure includes Fair Value adjustments, Impairment of programme debt written off, and movement on Compensation Recovery Unit (CRU) provision. See Note 4.1.

5b Programme income includes Child Maintenance Enforcement Division (CMED) Income, and Compensation Recovery Unit (CRU) Income which compromises of benefits paid and which are due to be recovered from insurance companies, see Note 8.2.

6. Benefit expenditure paid from the National Insurance Fund

	2010-11			Restated 2009-10		
	Programme expenditure £'000	**Programme Income £'000**	**Net expenditure £'000**	Programme expenditure £'000	Programme Income £'000	Net expenditure £'000
Pension benefits						
Retirement pension						
- basic element	**1,347,821**	-	**1,347,821**	1,288,585	-	1,288,585
- additional component	**317,444**	-	**317,444**	302,962	-	302,962
Christmas bonus	**3,430**	-	**3,430**	3,402	-	3,402
Widow's benefit						
- basic element	**13,872**	-	**13,872**	14,724	-	14,724
- additional component	**2,435**	-	**2,435**	3,106	-	3,106
- widow's payment	**5,309**	-	**5,309**	5,486	-	5,486
Unemployment, Invalidity and Sickness benefits	**(48)**	-	**(48)**	(23)	-	(23)
Unemployment, Incapacity and other benefits						
Jobseeker's Allowance - Contributions Based	**26,681**	**(15)**	**26,666**	31,644	(7)	31,637
Employment Support Allowance - Contributions Based	**44,360**	**(151)**	**44,209**	25,879	(40)	25,839
Incapacity Benefit						
- basic element	**295,035**	**(2,075)**	**292,960**	317,017	(2,199)	314,818
- additional component	**5,848**	-	**5,848**	6,606	-	6,606
Family benefits						
- Maternity Allowance	**10,083**	-	**10,083**	10,150	-	10,150
Periodicity and pay days	**1**	-	**1**	257	-	257
6a	**2,072,271**	**(2,241)**	**2,070,030**	2,009,795	(2,246)	2,007,549

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

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

7. Benefit expenditure paid from the Social Fund

		2010-11			Restated 2009-10		
		Programme expenditure £'000	Programme Income £'000	Net expenditure £'000	Programme expenditure £'000	Programme Income £'000	Net expenditure £'000
Funeral payments	7b	**2,484**	-	**2,484**	2,519	-	2,519
Cold weather payments		**16,813**	-	**16,813**	16,876	-	16,876
Maternity payments		**5,357**	-	**5,357**	5,005	-	5,005
Community care payments		**13,819**	-	**13,819**	13,646	-	13,646
Winter fuel payments		**69,185**	-	**69,185**	68,830	-	68,830
Other - fair value adjustments and impairment of debt written off		**(3,602)**	-	**(3,602)**	(4,123)	-	(4,123)
	7a	**104,056**	**-**	**104,056**	102,753	-	102,753

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

7b The closing balances outstanding as at 31 March 2011 for Budget Loans, Crisis Loans and Funeral Loans are disclosed in Note 13. The NI Social Fund White Paper accounts shows the cash receipts and payments for Social Fund expenditure in the relevant financial year.

8 Income

8.1 Resource income

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

	2010-11 £'000	Restated 2009-10 £'000
Administration of the National Insurance Fund	**30,136**	31,709
Services to the Department for Work and Pensions	**18,021**	17,869
Mortgage Interest Direct Scheme	**89**	105
Other resource income	**694**	519
	48,940	50,202

8.2 Programme Income

An analysis of programme income for the Consolidated Fund, £4.591m (2009-10: £4.323m), is shown in Note 5.
An analysis of programme income for the National Insurance Fund (NIF) £2.241m (2009-10 £2.246m) shown in Note 6.

	Note	2010-11 £'000	Restated 2009-10 £'000
CMED Income	**8.2i**	**717**	970
CRU Income	**8.2ii**	**6,115**	5,599
		6,832	6,569

8.2i Child Maintenance Enforcement Division (CMED) income is the reimbursement of costs incurred by the Agency and recovered by CMED from the absent parent.

8.2ii Compensation Recovery Unit (CRU) income is the recoverable amount from the insurance companies in respect of benefits paid. The amounts are recovered by CRU within the Agency.

9 Property, plant and equipment

	Note	Year Ending 31 March 2011				
		Land £'000	Buildings £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation						
At 1 April 2010		4,912	9,774	771	30	15,487
Additions		-	-	5	59	64
Disposals		-	-	(23)	-	(23)
Impairment		(5)	(1,373)	8	-	(1,370)
Revaluations		(732)	6	1	2	(723)
Transfers	9c	-	-	(10)	(1)	(11)
At 31 March 2011		**4,175**	**8,407**	**752**	**90**	**13,424**
Depreciation						
At 1 April 2010		-	653	533	30	1,216
Charge for year		-	336	188	1	525
Disposals		-	-	(23)	-	(23)
Impairment		-	(78)	6	-	(72)
Revaluations		-	3	-	-	3
Transfers		-	-	(10)	-	(10)
At 31 March 2011		-	**914**	**694**	**31**	**1,639**
Net book value						
At 31 March 2011		**4,175**	**7,493**	**58**	**59**	**11,785**
At 31 March 2010		4,912	9,121	238	-	14,271
Asset Financing:						
Owned		4,175	7,493	58	59	11,785
Finance Leased		-	-	-	-	-
On Balance Sheet (SoFP) PFI and other service concession arrangements		-	-	-	-	-
Net book value at 31 March 2011		4,175	7,493	58	59	11,785

Analysis of capital expenditure	2010-11 £'000	Restated 2009-10 £'000
Additions per PPE note	**64**	14
Opening PPE accrual	**-**	-
Closing PPE accrual	**-**	-
Total Cash Payments per Cashflow Statement	**64**	14

9b In the Statement of Taxpayers Equity there is an adjustment to the opening balance of £7.704m to the Revaluation Reserve. This adjustment represents the element of realised Revaluation Reserve that has been transferred to the General Fund Reserve. This adjustment was made as a result of an exercise undertaken by Account NI to confirm individual balances within the Revaluation Reserve on an asset by asset basis.

9c The transfers represent inter-departmental movements.

	Note	Land £'000	Buildings £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
	Year Ending 31 March 2010					
Cost or valuation						
At 1 April 2009		6,140	10,658	1,048	76	17,922
Adjustment to opening balance	**9d**	-	(105)	133	(28)	-
Restated Opening Balance		6,140	10,553	1,181	48	17,922
Additions		-	-	14	-	14
Disposals		-	(20)	(510)	(18)	(548)
Revaluations		(1,228)	(759)	86	-	(1,901)
At 31 March 2010		**4,912**	**9,774**	**771**	**30**	**15,487**
Depreciation						
At 1 April 2009		-	463	451	49	963
Adjustment to opening balance		-	(106)	116	(10)	-
Restated Opening Balance		-	357	567	39	963
Charge for year		-	361	389	1	751
Disposals		-	-	(482)	(10)	(492)
Revaluations		-	(65)	59	-	(6)
At 31 March 2010		**-**	**653**	**533**	**30**	**1,216**
Net book value at 31 March 2010		**4,912**	**9,121**	**238**	**-**	**14,271**
At 31 March 2009		6,140	10,195	597	27	16,959
Asset Financing						
Owned		4,912	9,121	238	-	14,271
Finance Leased		-	-	-	-	-
On Balance Sheet (SoFP) PFI and other service concession arrangements		-	-	-	-	-
Net book value at 31 March 2010		**4,912**	**9,121**	**238**	**-**	**14,271**

Analysis of capital expenditure	**2009-10 £000**	Restated 2008-09 £'000
Additions per PPE note	**14**	45
Opening PPE accrual	**-**	470
Closing PPE accrual	**-**	-
Total Cash Payments per Cashflow Statement	**14**	515

9d The adjustment to the opening balance reflects the reclassification of some assets.

10 Intangible Assets

Intangible assets comprise of computer software:

	31 March 2011 Computer Software £'000	Total £'000
Cost or valuation		
At 1 April 2010	600	600
Additions	112	112
Disposals	(22)	(22)
Impairments	5	5
Revaluations	12	12
At 31 March 2011	**707**	**707**
Amortisation		
At 1 April 2010	391	391
Charged in year	79	79
Disposals	(22)	(22)
Impairments	3	3
Revaluations	4	4
At 31 March 2011	**455**	**455**
Net book value at 31 March 2011	**252**	**252**
Net book value at 31 March 2010	209	209

Analysis of capital expenditure	2010-11 £000
Additions per Intangible Asset note	**112**
Opening Intangible Asset Accrual	**-**
Total Cash Payments per Cashflow Statement	**112**

Intangible assets comprise of computer software:

	31 March 2010 Computer Software £'000	Total £'000
Cost or valuation		
At 1 April 2009	506	506
Additions	81	81
Disposals	-	-
Impairments	-	-
Revaluations	13	13
At 31 March 2010	**600**	**600**
Amortisation		
At 1 April 2009	248	248
Charged in year	137	137
Disposals	-	-
Impairments	-	-
Revaluations	6	6
At 31 March 2010	**391**	**391**
Net book value at 31 March 2010	**209**	**209**
Net book value at 31 March 2009	258	258

Analysis of capital expenditure	2009-10 £'000
Additions per Intangible Asset note	**81**
Opening Intangible Asset Accrual	**-**
Total Cash Payments per Cashflow Statement	**81**

11 Financial Instruments

As the cash requirements of the Agency are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts in connection with social security benefit eligibility and entitlement which are governed by the appropriate social security legislation and regulatory requirements. The Agency is therefore exposed to little credit, liquidity or market risk. Further details on the Agency's assessment and application of the Financial Instrument IFRS and financial risk is detailed in Note 1.2.

Credit Risk

The Agency manages its exposure to credit risk via credit risk management policies. Credit policies cover exposures generated from Benefit Overpayment Receivables and Social Fund Loans. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the Statement of Financial Position. For Benefit Overpayment Receivables and Social Fund Loans the exposure to credit risk is the amount of receivable or loan not recovered from benefit customers.

Liquidity Risk

The Agency's resource requirements are financed by resources voted by the Assembly and Parliment, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Agency has discounted the forecast future cash flows for estimated recoveries and write offs for Benefit Overpayment Receivables and Social Fund Loans. The discount rate applied is the Treasury's real rate for the cost of capital 3.5%. The Treasury's discount rate is substantially independent of changes in market interest rates. The Agency categorises the following account balances to be financial instruments:

(i) Cash and cash equivalents

- Programme and Resource Financing
- Cash with Paying Agents
- Encashment Control
- NIF Debtor

Cash and cash equivalents are classified as a Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for these approximates to the current value stated in the Statement of Financial Position owing to the short term maturity of this instrument.

(ii) Loans and Receivables

- Benefit Overpayment Receivables
- Social Fund Loans

The Benefit Overpayment Receivables and Social Fund Loans are classified as Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require these to be stated in the Statement of Financial Position at their fair value. Financial Instruments are subsequently carried at amortised cost using the effective interest method, with changes in value between the 1 April 2010 - 31 March 2011 recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.
The amounts included in the year from 1 April 2010 to 31 March 2011 are:

Statement of Financial Position	Gross Receivables £'000	Impairment & Discounting Debt £'000	Net Receivable £'000
Receivables (amounts falling due less than one year): Note 13.1			
Contributory Benefits	684	(99)	585
Non-contributory Benefits	7,647	(1,647)	6,000
Funeral Loans	40	(40)	-
Other Loans	48,336	(2,160)	46,176
CRU Debt	1,111	(370)	741
Receivables (amounts falling due more than one year): Note 13.2			
Contributory Benefits	7,629	(5,951)	1,678
Non-contributory Benefits	79,105	(48,583)	30,522
Funeral Loans	8,274	(8,223)	51
Other Loans	43,813	(6,305)	37,508
	196,639	(73,378)	123,261

(iii) Other Liabilities

Programme and Resource payables and accruals

Contractual Programme and Resource payables and accruals are non-derivative Financial Instruments. These amounts are due within one year and have no impairment indicators.

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

12 Impairments

	2010-11 £'000	Restated 2009-10 £'000
Amount charged to the Statement of Comprehensive Net Expenditure	(1,296)	-
Amount taken through the revaluation reserve	(739)	(1,887)
Total Impairment charge for the year	**(2,035)**	(1,887)

13 Trade receivables and other current assets

13.1 Amounts falling due within one year

Resource	Note	31 March 2011 £'000	Restated 31 March 2010 £'000
Amounts due from the Department - Resource Financing	**13a**	**3,162**	3,242
Prepayments		**30**	127
VAT		**311**	544
Other Resource Receivables	**13b**	**3,381**	203
Total Resource Receivables	**13.3**	**6,884**	4,116

		31 March 2011			Restated 31 March 2010		
Programme	**Note**	**Gross receivables £'000**	**Impairment & Discounting £'000**	**Net receivables £'000**	Gross receivables £'000	Impairment & Discounting £'000	Net receivables £'000
Benefit overpayments							
-Contributory benefits	**13g**	**684**	**(99)**	**585**	470	(133)	337
-Non-contributory benefits	**13g**	**7,647**	**(1,647)**	**6,000**	7,705	(2,545)	5,160
Social Fund		**192**	-	**192**	165	-	165
-Other	**13c**	-	-	-	5	-	5
Benefit prepayments							-
-Contributory benefits		**9,505**	-	**9,505**	11,479	-	11,479
-Non-contributory benefits		**6,836**	-	**6,836**	9,045	-	9,045
Social Fund loans							
-Funeral loans	**13j**	**40**	**(40)**	**-**	39	(39)	-
-Other loans	**13d**	**48,336**	**(2,160)**	**46,176**	44,335	(4,379)	39,956
Amounts due to the Department - NIF receivable	**13e**	**9,348**	-	**9,348**	9,848	-	9,848
Other programme receivables	**13f**	**2,354**	**(370)**	**1,984**	2,148	(314)	1,834
NHS Trusts	**13k**	**7,306**	**-**	**7,306**	6,502	-	6,502
Amounts due to the Department - Programme Financing	**13a**	**519**	**-**	**519**	-	-	-
Total Programme Receivables	**13.3**	**92,767**	**(4,316)**	**88,451**	91,741	(7,410)	84,331
Total amounts falling due within one year		**99,651**	**(4,316)**	**95,335**	95,857	(7,410)	88,447

13a The Agency's attributable proportion of the Departmental bank balance for both resource and programme expenditure is shown as 'Amounts due from the Department'. For the year ended 31 March 2011 the Agency's resource bank balance of £3.162m is composed of an amount held within the DSD Group account £3.148m (2009-10: £3.227m) and £0.014m of petty cash, held in local benefit offices (2009-10: £0.015m).

The Agency programme bank balance is disclosed under 'Amounts due from the Department' - Programme financing, and is £0.519m, (2009-10: a credit balance of £1.393m disclosed in note 15).

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

13b Other resource receivables include Belfast Benefit Delivery Centre £1.845m (2009-10: £nil), Inter DSD account £1.275m (2009-10:£nil) and the balance of £0.261m (2009-10: £0.203m) is made up of other sundry receivables.

13c Other benefit overpayments consist of Post Office Card Account (POCA) receivables being recovered by Debt Centre Northern Ireland (DCNI), for 2010-11 the balance is £nil (2009-10: £0.005m, 2 customers).

13d Other Social Fund loans consist of: Budgeting Loans £36.523m gross (2009-10: £34.789m gross), and Crisis Loans £11.813m gross (2009-10: £9.546m gross). Social Fund Loans are classified as a Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Social Fund Loans to be stated in the statement of financial position at their fair value. The impairment and discounting adjustment to the gross receivable amounts provide the fair value.

13e Part of the Agency's attributable proportion of the centrally held bank balances at 31 March 2011 represent amounts due to the Department/Agency in respect of NIF benefits. This balance represents amounts due from Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits. The balance at the year ended 31 March 2011 is £9.348m, (2009-10: £9.848m)

13f Other programme receivables consist of: Child Maintenance Enforcement Division (CMED) £0.0m (2009-10: £0.030m), Overseas Governments £0.258m (2009-10: £0.146m),Compensation Recovery Unit £1.111m (2009-10: £0.657m), others £0.017m, (2009-10: £0.270), unadjudicated benefit receivables (see Note (i) below) £0.520m (2009-10: £0.764m), DWP (see note (ii) below) £0.448m (2009-10: £0.168m), DEL £nil (2009-10: £0.113m), Impairment (-£0.370m), (2009-10: £-0.314m).

13g Benefit Overpayment Receivables are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Benefit Overpayment receivables to be stated in the statement of financial position at their fair value. The impairment and discounting adjustment to the gross receivable amounts provide the fair value.

Included within Benefit Overpayment Receivables is an amount of £8.314m which private sector collection agencies are seeking to recover on behalf of the Agency, (2009-10: £8.612m).

Note (i)

The Agency undertakes an exercise to value the potential benefit overpayment receivable not yet notified to DCNI and held at local and central benefit offices. This exercise was completed for the year ended 31 March 2011 financial year. The valuation of the unadjudicated receivable is based on a stockcount of benefit cases at 31 March 2011, an analysis based on historical trends of the percentage of overpayment receivable determined to be recoverable, and an estimation of the average value of an overpayment receivable case again based on historical analysis.

The value for the potential receivable balance at 31 March 2011 is estimated to be £5.199m (2009-10: £7.644m) and is disclosed as £0.520m (2009-10: £0.764m) within other programme receivables less than one year, and £4.679m (2009-10: £6.880m) within other programme receivables falling due after more than one year (see Note 13.2).

Note (ii)

For this financial year the equivalent amount of the receivables transferred between NI and DWP (GB) have been recorded as DWP receivables and payables balances. Accordingly, within the total balance for other programme receivables of £2.354m there is an amount of £0.448m which represents the balance owing from DWP to the Agency for benefit overpayment receivables that have transferred from NI to GB.

13j Social Fund Loans are classified as Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Social Fund Loans to be stated in the statement of financial position at their fair value. The impairment and discounting adjustments to the gross receivable amounts provide the fair value.

13.2 Amounts falling due after more than one year

Resource	31 March 2011 £'000	31 March 2010 £'000
Prepayments	-	-
Other receivables	-	-

Programme	Note	31 March 2011 Gross receivables £'000	31 March 2011 Impairment & Discounting £'000	31 March 2011 Net receivables £'000	Restated 31 March 2010 Gross receivables £'000	Restated 31 March 2010 Impairment & Discounting £'000	Restated 31 March 2010 Net receivables £'000
Benefit overpayments							
- Contributory benefits	13g	**7,629**	**(5,951)**	**1,678**	6,331	(4,935)	1,396
- Non-contributory benefits	13g	**79,105**	**(48,583)**	**30,522**	75,978	(44,203)	31,775
- Social Fund		-	-	-	-	-	-
Benefit prepayments							-
- Contributory benefits		-	-	-	-	-	-
- Non-contributory benefits		-	-	-	-	-	-
Social Fund loans							
- Funeral loans	13j	**8,274**	**(8,223)**	**51**	6,849	(6,800)	49
- Other loans	13h	**43,813**	**(6,305)**	**37,508**	40,096	(7,847)	32,249
Other programme receivables	13i	**4,679**	-	**4,679**	6,880	-	6,880
NHS Trusts	13k	**18,288**	-	**18,288**	16,805	-	16,805
Total amounts falling due after more than one year		**161,788**	**(69,062)**	**92,726**	152,939	(63,785)	89,154
Total trade receivables and other current assets				**188,061**			177,601

13g Benefit Overpayment receivables are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Benefit Overpayment receivables to be stated in the statement of financial position at fair value. The impairment and discounting adjustments to the gross receivable amounts provide the fair value.

13h Other Social Fund loans consist of Budgeting Loans £26.830m gross (2009-10: £24.794m gross), and Crisis Loans £16.983m gross (2009-10: £15.302m gross). Social Fund Loans are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. The standards require Social Fund Loans to be stated in the statement of financial position at their fair value. The impairment and discounting adjustment to the gross receivable amounts provide the fair value.

13i Other programme receivables consists of £4.679m (2009-10: £6.880m), relating to the valuation of the potential benefit receivable balance at 31 March 2011. (See Note 13.1).

13j Social Fund Funeral Loans are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Social Fund Loans to be stated in the statement of financial position at their fair value. The impairment and discounting adjustment to the gross receivable amounts provide the fair value.

13k **NHS Trusts** An exercise is completed each year by the Agency's Compensation Recovery Unit (CRU) to estimate the potential value of those claims awaiting settlement from the insurance compensators and due to the Health Service Trusts (HST). The CRU collects the monies due from the insurance compensators on behalf of the HST, and those amounts are then forwarded to the Trusts themselves. The CRU estimate is based on the number of claims outstanding and the associated medical costs applicable to each claim. For clarity and transparency purposes the amount due to the HST is disclosed as a receivable and a corresponding payable within the Agency accounts. Due to the presentation of this receivable/payable no adjustments for fair value have been made.

The total payments made from the Agency to the Health Trusts in respect of claims recovered by the Compensation Recovery Unit (CRU) from insurance companies for the year ended 31 March 2011 were £9.851m (2009-10: £8.227m)

13.3 Intra-Government Balances Resource

	Note	Amounts falling due within one year (Net)		Amounts falling due in more than one year (Net)	
		31 March 2011 £'000	Restated 31 March 2010 £'000	31 March 2011 £'000	Restated 31 March 2010 £'000
Balances with other central government bodies	(i)	**5,329**	3,786	-	-
Balances with local authorities		-	-	-	-
Balances with NHS trusts		-	-	-	-
Balances with public corporations and trading funds		-	-	-	-
Subtotal: intra-government balances		**5,329**	3,786	-	-
Balances with bodies external to government		**1,555**	330	-	-
Total receivables at 31 March 2011		**6,884**	4,116	-	-

Intra-Government Balances Programme

	Note	Amounts falling due within one year (Net)		Amounts falling due in more than one year (Net)	
		31 March 2011 £'000	Restated 31 March 2010 £'000	31 March 2011 £'000	Restated 31 March 2010 £'000
Balances with other central government bodies	(i)	**10,316**	10,575	-	-
Balances with local authorities		-	-	-	-
Balances with NHS trusts		**7,306**	6,502	**18,288**	16,805
Balances with public corporations and trading funds		-	-	-	-
Subtotal: intra-government balances		**17,622**	17,077	**18,288**	16,805
Balances with bodies external to government		**70,830**	67,254	**74,437**	72,349
Total receivables at 31 March 2011		**88,452**	84,331	**92,725**	89,154

(i) Resource receivable balances with other central government bodies includes the 'Department - Resource Financing' bank balance £3,162m (2009-10: £3.242m), BBDC £1.845m (2009-10: £nil) and HMRC £0.311m (2009-10: £0.544m), DWP £0.010m (2009-10: £nil), NIO £0.001m (2009-10: £nil)

Programme receivable balances with other central government bodies include NIF receivable £9.348m (2009-10: £9.848m), the 'Department - programme financing ' bank balance £0.519m (2009-10: £1.393m credit balance included in payables), DWP receivable £0.449m (2009-10: £0.168m), CMED £nil (2009-10: £0.030m), DEL £nil (2009-10: £0.114m), Overseas governments and others £Nil (2009-10: £0.416m).

14 Cash and cash equivalents

14.1 Cash with paying agents

	Note	31 March 2011 £'000	Restated 31 March 2010 £'000
Santander Commerical Bank PLC	14a	2,840	3,062
		2,840	3,062

14a As at 31 March 2011 the balance held with the Santander Commercial Bank plc is a £2.840m (2009-10: £3.062m). Cash with paying agents is classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for cash with paying agents approximates to the current value stated in the Statement of Financial Position owing to the short term maturity of this instrument.

14.2 Cash and cash equivalents

	31 March 2011 £'000	Restated 31 March 2010 £'000
Balance at 1 April	-	-
Net change in cash and cash equivalent balances	-	-
Balance at 31 March	-	-

The following balances at 31 March are held at:

	31 March 2011 £'000	Restated 31 March 2010 £'000
Commercial bank balances	-	-
Cash at bank and in hand	-	-
Balance at 31 March	-	-

15 Trade payables and other current liabilities

15.1 Amounts falling due within one year:

Resource	Note	31 March 2011 £000	Restated 31 March 2010 £000
Accruals	**15a**	**9,660**	19,783
Other payables	**15b**	**2,181**	3,859
Amounts due to the Department - Resource Financing	**15c**	**-**	-
Total Resource		**11,841**	23,642

Programme		31 March 2011 £000	Restated 31 March 2010 £000
Benefit accruals			
- Contributory benefits		**29,087**	26,813
- Non-contributory benefits		**32,414**	28,859
- Social Fund		**54**	158
Encashment control	**15e**	**3,260**	3,905
Other programme payables	**15d**	**4,979**	3,684
NHS Trusts	**15f**	**7,306**	6,502
Amounts due from the department - financing prog	**15c**	-	1,393
Amounts due from the department - NIF		-	-
Total Programme		**77,100**	71,314
Total amounts falling due within one year		**88,941**	94,956

15a Included within Resource Accruals is £1.919m (2009-2010: £3.420m), for Employee Benefits.

15b Other resource payables include Belfast Benefit Delivery Centre £nil, (2009-10: £0.700), Consolidated Fund Extra Receipts, £0.029m (2009-10: £0.067m), and other sundry payables £2.152m (2009-10: £3.092m).

15c The Agency's attributable proportion of the Departmental bank balance for both resource and programme expenditure is shown as 'Amounts due to/from the Department'. For the year ended 31 March 2011 the Agency's resource bank balance held within the Departmental bank accounts is a debit balance of £3.162m disclosed in note 13, (2009-10: £3.242m debit balance disclosed in note 13). The Agency's programme bank balance held within the Departmental bank balance is a debit balance £0.519m disclosed in note 13 (2009-10: £1.393m).

Programme and Resource Financing are classified as a Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for the Resource and Programme financing amounts to the current value stated in the statement of financial position owing to the short term maturity of this instrument.

15d Other programme payables consist of HMRC £0.254m (2009-10: £0.114m), DWP £0.409m (2009-10: £0.271m), DEL £0.590m (2009-10 Dr balance £0.113m), Health Service £1.261m (2009-10: £0.946m), Overseas Governments £0.040m, (2009-10: £0.015m), Third Party £0.837m (2009-10: £1.798m), Sundry £0.034m (2009-10: £0.539m), Consolidated Fund Extra Receipts £nil (2009-10: £0.001m), CSA £0.279m (2009-10 £nil), Inter DSD £1.275m (2009-10: £nil). There are certain balances within other programme payables that are contractual and are therefore classified as a Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for contractual other programme payables amounts to the current value stated in the statement of financial position owing to the short term maturity of these instruments.

15e The Encashment control payable is classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for the encashment control payable approximates to the current value stated in the statement of financial position owing to the short term maturity of this instrument.

15f Please see Note 13k for an explanation of this balance, for both under and over 1 year.

15.2 Amounts falling due after more than one year

Resource	Note	31 March 2011 £'000	Restated 31 March 2010 £'000
Other payables		-	-
Total payables at 31 March		**-**	-

Programme	Note	31 March 2011 £'000	Restated 31 March 2010 £'000
NHS Receivable	**15f**	**18,288**	16,805
Total Amount falling due after more than one year		**18,288**	16,805
Total trade payables and other current liabilities		**107,229**	**111,761**

15.3 Intra-Government Balances Resource

	Note	Amounts falling due within one year	
		31 March2011 £'000	Restated 31 March 2010 £'000
Balances with other central government bodies	(i)	**2,345**	8,447
Balances with NHS Trusts		**-**	-
Balances with public corporations and trading funds		**-**	-
Subtotal: intra-government balances		**2,345**	8,447
Balances with bodies external to government		**9,496**	15,195
Total payables at 31 March		**11,841**	23,642

Intra-Government Balances Programme

	Note	Amounts falling due within one year 31 March 2011 £'000	Amounts falling due within one year Restated 31 March 2010 £'000	Amounts falling due after one year 31 March 2011 £'000	Amounts falling due after one year Restated 31 March 2010 £'000
Balances with other central government bodies	(i)	**2,826**	2,326	**-**	-
Balances with local authorities		-	-	-	-
Balances with NHS trusts		**8,567**	7,448	**18,288**	16,805
Balances with public corporations and trading funds		**-**	-	**-**	-
Subtotal: intra-government balances		**11,393**	9,774	**18,288**	16,805
Balances with bodies external to government		**65,707**	61,540	**-**	-
Total payables at 31 March		**77,100**	71,314	**18,288**	16,805

(i) Resource payable balances with other central government bodies includes DWP payables £2.316m, (2009-10: £8.380m), Department - 'resource financing' bank balance £nil (2009-10: £nil), Consolidated Fund Extra Receipts £0.029m (2009-10: £0.067m).

Programme payable balances with other central government bodies includes HMRC £0.254m (2009-10: £0.114m), Programme Financing £1.274m (2009-10: £1.393m), DEL £0.590 (2009-10: £nil) DWP Creditor £0.409m (2009-10: £0.271m), Consolidated Fund Extra Receipts £nil, (2009-10: £0.001m), Sundry £0.019m (2009-10: £2.352m), CSA £0.280m (2009-10: £nil)

16 Provisions for liabilities and charges

	2010-2011				
	Early Departure-Costs £'000	**Other Resource £'000**	**Equal Pay £'000**	**Programme £000**	**Total £000**
Balance as at 1 April	**-**	**793**	**46,170**	**933**	**47,896**
Provided in year	**36**	**146**	**-**	-	**182**
Provision not required written back	-	**(192)**	-	**(431)**	**(623)**
Under provision	**-**	**-**	**-**	-	**-**
Provision utilised in the year	**-**	**(86)**	**(45,209)**	-	**(45,295)**
Unwinding of discount	**(2)**	**(14)**	**-**	-	**(16)**
Balance as at 31 March	**34**	**647**	**961**	**502**	**2,144**

Provisions for liabilities and charges (Cont.)

	Restated 2009-10				
	Early Departure- Costs £'000	Other Resource £'000	Equal Pay £000	Programme £000	Total
Balance as at 1 April	104	753	-	1,387	2,244
Provided in year	46	172	46,170	-	46,388
Provision not required written back	-	-	-	(454)	(454)
Under provision	(49)	-	-	-	(49)
Provision utilised in the year	(102)	(115)	-	-	(217)
Unwinding of discount	-	(16)	-	-	(16)
Balance as at 31 March	(1)	794	46,170	933	47,896

Analysis of expected timing of discounted flows

	2010-2011				
	Early Departure Costs £'000	**Other Resource £'000**	**Equal Pay £'000**	**Other Programme £'000**	**Total £'000**
In the remainder of the Spending					
Not later than one year	**14**	**647**	**961**	**502**	**2,124**
Later than one year and not later than five	**20**	**-**	**-**	**-**	**20**
Later than 5 years	-	**-**	**-**	**-**	**-**
Balance at 31 March 2010	**34**	**647**	**961**	**502**	**2,144**

	Restated 2009-10				
	Early Departure Costs £'000	Other Resource £'000	Equal Pay £000	Other Programme £'000	Total £000
In the remainder of the Spending					
Not later than one year	-	794	46,170	933	47,896
Later than one year and not later than five	-	-	-	-	-
Later than 5 years	-	-	-	-	-
Balance at 31 March 2009	-	794	46,170	933	47,896

Included in the amounts not expected to be called until after 2021 are:

	2010-2011				
	Early Costs £'000	**Other Resource £'000**	**Pay £'000**	**Programme £'000**	**Total £'000**
Amounts not expected to be called until					
the period beginning 2065	-	-	-	-	-
the period beginning 2086	-	-	-	-	-
Balance at 31 March 2010	-	-	-	-	-

	Restated 2009-10			
	Early Costs £'000	Other Resource £'000	Programme £000	Total £000
Amounts not expected to be called until				
the period beginning 2065	-	-	-	-
the period beginning 2086	-	-	-	-
Balance at 31 March 2009	-	-	-	-

16.1 Resource provisions include:

(i) Early departure costs £0.034m (2009-10: nil).

(ii) Personal injury cases £0.534m (2009-10: £0.660m).

(iii) Equal opportunity cases £0.113m (2009-10: £0.133m).

(iv) Equal Pay £0.961m (2009-10: £46.170m). This provision represents the Agency's expected share of the settlement payment to be made to staff at AA, AO, EOII and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal Pay.

The Agency meets the additional costs of benefits beyond the normal (PCSPS NI) in respect of employees who retire early by paying the required amounts annually to the pension scheme over the period between early departure and normal retirement date. The Agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9 per cent in real terms.

16.2 Programme provisions include:

(i) Compensation Recovery Unit cases appealed and unprocessed amounted to £0.502m (2009-10: £0.933m). 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 or reviews have not been processed. The Agency provides for the estimated adjustment to recoveries in respect of unprocessed appeals and reviews.

17 Capital Commitments

Belfast Benefit Delivery Centre

All of the work carried out by the Belfast Benefit Delivery Centre (BBDC) relates to processing services provided to the Department for Work and Pensions (DWP) in Great Britain and all expenditure incurred on behalf of the BBDC in the financial year is therefore charged to the Agency's Statement of Comprehensive Net Expenditure. The Agency has therefore no capital commitments contracted for but not provided at 31 March 2011 on behalf of the BBDC.

Medical Support Services (MSS)

The Agency signed a contract in January 2011 with Atos Healthcare for the provision of medical support services. The contract arrangements will commence in June 2011. The total contract costs include charges for medical experts, administrative staff, accommodation and ICT infrastructure costs.

Capital commitments within the MSS contract include accommodation and ICT infrastructure costs. The accommodation costs are for the upgrade of Medical Examination Centres (MECs) in Ballymena and Londonderry that Atos Healthcare will use in the provision of the contract service. The capital cost for this work is estimated to be as follows over the remainder of the contract term.

Year	£m
2011-12	0.45
2012-13	0.73
2013-14	-
2014-15	-
2015-16	-
2016-17	0.23
2017-18	0.08
2018-19	-

The ICT infrastructure costs within the MSS contract are for cabling, servers and other IT equipment that is required to faciliate the operation of the new IT computer system. This ICT infrastructure will be required for all MECs utilised by the contractor. The capital cost for this work is estimated to be as follows over the remainder of the contract term.

Year	£m
2011-12	0.92
2012-13	-
2013-14	-
2014-15	0.02
2015-16	0.01
2016-17	0.24
2017-18	-
2018-19	-

18 Commitments under leases

18.1 Operating leases

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

	Note	2010-11 £'000	Restated 2009-10 £'000
Obligations under operating leases comprise:			
Land:			
Not later than one year		-	-
Later than one year and not later than five years		-	-
Later than five years		-	-
Total		-	-
Buildings:			
Not later than one year		-	-
Later than one year and not later than five years		-	-
Later than five years		-	-
Total		-	-
Other:			
Not later than one year		68	91
Later than one year and not later than five years		7	37
Later than five years		-	-
Total		75	128
Total obligations under operating leases		**75**	128

There were no finance leases during 2010-11 (2009-10: Nil).

19 Other Financial Commitments

Standard Service Business Allocation

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

The charges for the Standard Services Business Allocation contract for 2010-11 are £15.443m (2009-10: £15.914m).

As above the Agency costs for the SSBA contract are charged on a monthly basis depending on the Agency's usage of the relevant IT services.

The anticipated charges for the 2011-12 financial year for the Standard Services Business Allocation (SSBA) arrangements are estimated to be in the region of £15m. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Agency throughout the year.

Post Office card account

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

The charges under the Post Office Card Account contracts for 2010-11 are £6.035m (2009-10: £9.530m).

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

The anticipated charges for the 2011-12 financial year for the Post Office card account (POCA) arrangements are estimated to be in the region of £5m. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Agency throughout the year.

Central Payments System

The Central Payment System (CPS) Programme has been established to design and develop an integrated payment and accounting system for the Department for Work and Pensions (DWP) in GB, for the delivery of social security benefits.

The Agency utilises the DWP Heritage Benefit System (HBSs) for processing benefits to Northern Ireland (NI) customers. These systems have been developed and maintained under DWP contracts.

In order to ensure its ability to deliver its primary business function and to maintain parity with DWP, the Agency has taken forward the CPS solution in Northern Ireland. The anticipated charge for the 2011-12 financial year is estimated to be in the region of £2m

Medical Support Services (MSS)

The Agency signed a contract in January 2011 with Atos Healthcare for the provision of medical support services. The contract arrangements will commence in June 2011. The total contract costs include charges for medical experts, administrative staff, accommodation and ICT infrastructure costs.

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

Year	£m
2011-12	12.0
2012-13	12.0
2013-14	12.0
2014-15	11.0
2015-16	11.0
2016-17	11.0
2017-18	11.0
2018-19	2.0

20 Contingent liabilities disclosed under IAS 37

Home Responsibilities Protection Error Initiative

Home Responsibilities Protection (HRP) was introduced in 1978 and reduces the number of qualifying years required in order to receive a full basic State Pension. HRP should be allocated if the customer receives child benefit for a child under the age of 16. It should be recorded automatically on the child benefit payee's account on the National Insurance and PAYE system (NPS) by means of a data feed from the Child Benefit Computer system. However, it emerged that there had been a significant weakness in the system. Many cases had to be clerically matched because neither the individual's national insurance number nor date of birth was included in the child benefit details. As a result, the correct number of HRP years had not been included in some records, affecting State Pension entitlement. This weakness has now been removed for new claims to child benefit from 2000 onwards as customers are required to provide their national insurance numbers.

A special exercise commenced in July 2009 to review existing State Pension awards for women and is due to be completed by 30 June 2011. As at 31 March 2011, State Pension arrears of £2,873,768 has been paid, plus compensation of £434,964 in 2010-11. All 6,000 cases identified have now been reviewed, with an error rate of 21% reported.

It is estimated that the remaining cases to be examined between April 2011 and July 2011 could result in compensation payments of up to £63,700 and Programme arrears of up to £318,400 in total, although these estimates are subject to uncertainty.

Additional Pension Exercise

Following work done to correct erroneous up-rating of Guaranteed Minimum Pensions (GMP) in public sector schemes, Her Majesty's Revenue and Customs have requested further checks on cases suspected of having further errors in the calculation of GMP. Initial analysis suggests that there are no predominant types of error. The overall error rate is relatively low (estimated at around 3% of the Additional Payment (AP) caseload), considering the complexity of GMP. However, the size of the AP caseload and the initial estimates of the monetary value of error prompted a review of cases which started in January 2011 and is planned to end in March 2012. During 2010-11, special payments were made to customers totalling £85,750. While the value of future compensation payments may vary and cannot be estimated reliabily approximately a further £50k in special payments may be incurred during 2011-12.

Transfer of State Pensions and Benefits

The Transfer of State Pensions and Benefits Regulations 2007 allows for a person's rights which have accrued by virtue of National Insurance contributions to be transferred to the Pension Scheme for Officials and Servants of Community Institutions and a transfer payment made accordingly by the Department. Until the transfer value has been calculated, a contingent liability arises.

21 Losses and special payments

The information presented here is on a cash basis.

	2010-11			2009-10		
	Resource £'000	Programme £'000	Total £'000	Resource £'000	Programme £'000	Total £'000
Losses						
Total Cases (22 cases)	**10**	-	**10**	5	-	5
Special payments						
Total (11,582 cases)	**-**	**2,768**	**2,768**	-	1,735	1,735
Comprising:						
Ex-Gratia Payments (1478 cases)	**-**	**1,322**	**1,322**	-	655	655
Extra-Statutory Payments (10,104 caes)	**-**	**1,446**	**1,446**	-	1,080	1,080
Social Security - Administered by the Social Security Agency						
Losses - Impairment of Receivables Written Off (approx 53,296 cases) (per Note 4.2)	**-**	**15,016**	**15,016**	-	17,143	17,143
Overpayments of Income Support and JSA Child Premium arising from Child Tax Credit (approx 309 cases)	**-**	**220**	**220**	-	451	451
Losses - Social Fund Loans Written Off. Total (approx 1914 cases), (Per Note 4.2)	**-**	**1,219**	**1,219**	-	1,267	1,267
Losses in relation to Post Office Card Accounts. Total (approx 131 cases)	**-**	**38**	**38**	-	66	66

22 Related party transactions

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

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

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

23 Key corporate financial targets

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

Budget target table

	Year 2010-11		
Budget type	Business-Plan Target £000	Revised Target £000	Outturn £000
Resource and other current	200,100	232,049	228,796
Capital	4,102	388	176
Non Cash	8,830	3,032	1,900
Benefits paid from the Northern Ireland Consolidated Fund	2,333,061	2,223,662	2,109,404
Benefits paid from the Northern Ireland National Insurance Fund	2,107,661	2,088,039	2,072,271
Benefits paid from the Social Fund	100,275	122,262	104,056

Resource:

"Business Plan Target" amounts represent initial allocation figures and do not take into account of amounts that have been transferred in-year during the monitoring rounds.

The "revised target" and "outturn" figures represents the best estimate of the target and outturn for the year based on information available at 31 March 2011, taking into account monitoring round transfers in and out of the Agency.

Programme:

"Business Plan Target" amounts represent initial allocation figures in the Northern Ireland Estimates.

The "revised target" represent the revised allocation in the Spring Supplementary Estimates.

The "outturn" figures represent the actual expenditure in year.

24 Fees and charges information

Financial objective: Full cost recovery

Name of service : Mortgage Interest Direct (resource charges)

	2010-11 £000	Restated 2009-10 £000
Full cost	**(131)**	(110)
Income	**89**	105
Surplus/(Deficit)	**(42)**	(5)

Income from pre-set transaction charges was not sufficient to cover the costs incurred in administering the Mortgage Interest Direct Scheme (MIDS) in the period to 31 March 2011.

The methodology for calculating the full cost for MIDS (resource cost charges) was updated during 2004-05. A benchmarking exercise was undertaken to establish a cost for the volume of transaction processing undertaken in providing this service. This revised cost methodology has been used to calculate the full cost reported for 2010-11.

25 Post Statement of Financial Position Events

There were no post statement of financial position events which could have had a material effect on the state of affairs of the Agency as at 31 March 2011 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

26 Payment Accuracy

The Agency aims to pay the right money to the right person at the right time. Social Security legislation lays out the basis on which the Agency calculates and pays benefits. However, the complexity of the benefit systems and inherent risks associated with the award and payment of benefits result in inaccurate payments being made in a proportion of the awards we make. The Agency has a robust security strategy in place to tackle incorrectness and measure results. The focus is on:-

- Getting it right - by preventing fraud and error entering the benefit system at the point of application;

- Keeping it right - by reviewing cases regularly and systematically in order to detect and eliminate fraud and error that has entered the system;
- Putting it right - by identifying claims that have become erroneous and taking

prompt action to correct them; by detecting and preventing fraud through the provision of a proactive and reactive investigative service; taking appropriate action to apply sanctions on deliberate offenders; and,

- Making sure the strategy works - by monitoring progress and regularly evaluating the strengths and weaknesses within the strategy and adjusting practices as appropriate.

The Agency currently administers 33 benefits including over 957,000 claims at any one time. Processing volumes related to this are approximately 30 million benefit payments per year, with 621,357 fresh claims and 885,566 changes in customer circumstances. Any benefit system that pays out money in response to given circumstances will always be vulnerable to fraud, and a system that relies on human input will be more susceptible to both customer and official error. Despite these challenges the majority of the Agency's benefit expenditure is paid correctly.

During the calendar year 2010 the Agency has continued its regular monitoring and measurement of the levels of fraud and error. Essentially this involves two main activities.

(i) Financial Accuracy Monitoring

(ii) Benefit Reviews

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

For clarity additional tables have also been included within the 2010 Payment Accuracy note to show the totals of estimated overpayments and underpayments for the last calendar year.

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

Confidence Intervals

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

Official Error: The official error estimates in the following table are based on the results of the Agency's Financial Accuracy Exercises completed in 2010. ESA was introduced in October 2008 to replace IB and IS that is paid because of an illness or disability for new claimants and is included in the formal financial accuracy exercise for the first time in 2010.

Customer Error and Customer Fraud: Customer error and customer fraud estimates for Income Support, State Pension Credit and Carer's Allowance are based on results from the Benefit Reviews completed in 2010. Customer error and customer fraud estimates for Jobseeker's Allowance, Incapacity Benefit and State Pension are based on the results of Benefit Reviews completed in 2009 updated. Customer error and customer fraud estimates for Disability Living Allowance are based on the results of the Benefit Review in 2008 updated. ESA was not included in the formal benefit review exercises for 2009 and 2010. As ESA replaced IB and IS, the levels of customer fraud and customer error in these benefits have been used to calculate proxy estimates for ESA in 2010.

Benefit Expenditure: In summary the total expenditure stated for 2010 includes expenditure on the 11 benefits reviewed as part of the Financial Accuracy and Benefit Review exercises, a total of £4,169 million, plus an amount of £183 million on other benefit expenditure in year, total annual expenditure £4,352 million.

Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2010 includes, Industrial Injuries Benefit £28.5 million, Severe Disablement Allowance £41.5 million, Christmas Bonus £4.8 million, Maternity Allowance £10 million, Cold Weather payments £25.7 million, Winter Fuel payments £68.8 million and sundry expenditure of £3.7 million. Other benefit expenditure for the calendar year 2009 includes, Industrial Injuries Benefit £28.6 million, Severe Disablement Allowance £42.1 million, Christmas Bonus £32.4 million, Maternity Allowance £10.1million, Employment and Support Allowance £39.4 million, Cold Weather payments £6.2 million, Winter Fuel payments £69.2 million and sundry expenditure of £3.4 million.

Jobseekers Allowance Training Allowances: The figures quoted in the tables below for the annual benefit expenditure amounts for Jobseekers Allowance include the associated expenditure for Jobseekers Training allowances as provided by the Agency. The respective annual amounts for these training allowances are not included within the Agency's programme operating costs in the accounts but are instead netted off from the respective debtor or creditor balance held with the Department for Employment and Learning (DEL) at the financial year-end.

Instrument of Payment (IOP) Fraud: The IOP figures in 2010 and 2009 relate to duplicate encashment of cheques. Up to 31 October 2009 all cases received in IOP Support Unit were registered on the Benefit Investigation Services Management Information System (BISMIS) and the monetary value was recorded at this stage. That meant that once duplicate encashment had been established, the monetary value was available irrespective of whether an outcome of the investigation had been reached. From 1 November 2009 only cases where duplicate encashment has been established are registered on Fraud Referral and Intervention Management System (FRAIMS) however no monetary value is recorded until the outcome of the investigation has been reached and the case is prepared for closure. It is not therefore possible to do a year on year comparison for IOP as the figures for IOP in the 2010 table are based on cases closed on FRAIMS for the entire period January to December 2010 and figures in the 2009 table are cases registered on BISMIS up to 31 October 2009, and any cases closed on FRAIMS in November and December 2009.

A: Overpayments

Benefit Overpayments

The table below shows the estimates of benefit overpayments for the last two years, 2010 and 2009. The 2010 overpayment estimates for Official Error, Customer Error and Customer Fraud include figures for the Employment and Support Allowance (ESA) benefit for the first time.

Comparisons between the two years show that the Agency's performance has been maintained with total losses, in percentage terms, from fraud and error remaining at 1.1%.

Estimates of benefit overpayments for 2010 and 2009

2010	Expenditure £	Monetary Value of Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval
Official Error	4,352,113,140	21,177,947	16,834,053	26,847,375	0.5%	0.4%	0.6%
Customer Error	4,352,113,140	6,537,162	1,536,872	12,734,899	0.2%	0.0%	0.3%
Customer Fraud	4,352,113,140	20,455,221	11,099,137	32,248,733	0.5%	0.3%	0.7%
Total Overpayments 2010	**4,352,113,140**	**48,170,330**	**36,706,970**	**62,649,324**	**1.1%**	**0.8%**	**1.4%**

2009	Expenditure £	Monetary Value of Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval
Official Error	4,176,435,887	16,651,921	13,012,819	21,518,462	0.4%	0.3%	0.5%
Customer Error	4,176,435,887	12,925,764	6,897,133	20,739,094	0.3%	0.2%	0.5%
Customer Fraud	4,176,435,887	17,237,131	9,733,193	26,834,555	0.4%	0.2%	0.6%
Total Overpayments 2009	**4,176,435,887**	**46,814,816**	**36,524,212**	**60,113,008**	**1.1%**	**0.9%**	**1.4%**

The 2009 estimates do not include fraud and error results for ESA so are not directly comparable with the 2010 estimates which do include ESA.

The Agency estimates that there was approximately £48.2 million overpaid through fraud and error in social security benefits for 2010. This represents approximately 1.1% of the total benefit expenditure for 2010, of which £20.5 million (0.5%) is Customer Fraud, £6.5 million (0.2%) is Customer Error and £21.2 million (0.5%) is Official Error.

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

The comparative estimate for 2009 is that there was approximately £46.8 million overpaid through fraud and error in social security benefits for 2009. This represents approximately 1.1 % of the total benefit expenditure for 2009, of which £17.2 million (0.4%) is Customer Fraud, £12.9 million (0.3%) is Customer Error and £16.7 million (0.4%) is Official Error. Thus, while total benefit expenditure has increased from £4,176 million in 2009, to £4,352 million in 2010, fraud and error overpayments has been maintained at 1.1% of expenditure for the year.

A detailed breakdown of the total overpayment amount for 2010 of £48.2 million is disclosed in the following tables. The tables are produced to depict the individual totals arising from the three main elements of benefit overpayments, i.e. Official Error, Customer Error and Customer Fraud. Figures for the 2009 year are also included for comparative purposes though these do not include any estimates for ESA . In addition tables are also included that disclose the estimated amount of underpayments that have arisen from both Official and Customer Error in the 2010 and the 2009 years.

Official Error

Official Error occurs when benefit awards are miscalculated as a result of an official not applying the benefit specific rules correctly or not taking into account all the circumstances applicable to an individual. The table below sets out the estimate of Official Error in 2010. Estimates of Official Error in 2009 are also shown for comparative purposes

Estimates of benefit overpayments due to Official Error in 2010

Benefit	Expenditure £	Monetary Value of Official Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Error as a % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Financial Accuracy Review
Income Support	428,056,340	3,383,463	1,231,052	5,945,774	0.8%	0.3%	1.4%	Jan - Dec 10
State Pension Credit	358,483,702	6,331,605	4,313,548	8,857,147	1.8%	1.2%	2.5%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	1,067,337	320,046	1,986,121	0.6%	0.2%	1.0%	Jan - Dec 10
Disability Living Allowance	750,272,008	1,449,168	223,978	3,118,385	0.2%	0.0%	0.4%	Jan - Dec 10
Incapacity Benefit	303,229,889	3,219,716	755,877	6,630,867	1.1%	0.2%	2.2%	Jan - Dec 10
Employment and Support Allowance	84,777,310	2,560,772	1,819,631	3,363,487	3.0%	2.1%	4.0%	Jan - Dec 10
State Pension	1,649,270,638	652,165	156,156	1,320,131	0.0%	0.0%	0.1%	Jan - Dec 10
Widow's Benefit /Bereavement Benefit	22,041,416	234,423	35,272	610,940	1.1%	0.2%	2.8%	Jan - Dec 10
Attendance Allowance	195,212,759	399,612	0	1,219,894	0.2%	0.0%	0.6%	Jan - Dec 10
Carer's Allowance	102,019,428	903,744	0	2,212,526	0.9%	0.0%	2.2%	Jan - Dec 10
Social Fund	84,536,391	975,942	504,212	1,536,430	1.2%	0.6%	1.8%	Jan - Dec 10
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,352,113,140**	**21,177,947**	**16,834,053**	**26,847,375**	**0.5%**	**0.4%**	**0.6%**	

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

Estimates of benefit overpayments due to Official Error in 2009

Benefit	Expenditure £	Monetary Value of Official Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Error as a % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Financial Accuracy Review
Income Support	441,928,003	1,736,769	842,637	2,859,188	0.4%	0.2%	0.6%	Jan - Dec 09
State Pension Credit	340,828,341	6,168,315	4,353,592	8,131,758	1.8%	1.3%	2.4%	Jan - Dec 09
Jobseeker's Allowance	157,414,143	410,901	121,313	814,533	0.3%	0.1%	0.5%	Jan - Dec 09
Disability Living Allowance	717,007,865	994,381	0	2,297,951	0.1%	0.0%	0.3%	Jan - Dec 09
Incapacity Benefit	329,820,776	2,060,264	360,713	4,257,563	0.6%	0.1%	1.3%	Jan - Dec 09
State Pension	1,559,073,426	2,318,917	207,354	5,610,157	0.1%	0.0%	0.4%	Jan - Dec 09
Widow's Benefit /Bereavement Benefit	23,442,308	5,623	1,082	11,462	0.0%	0.0%	0.0%	Jan - Dec 09
Attendance Allowance	195,734,369	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 09
Carer's Allowance	95,531,253	513,612	98,260	1,106,931	0.5%	0.1%	1.2%	Jan - Dec 09
Social Fund	84,335,287	2,443,138	1,696,140	3,275,979	2.9%	2.0%	3.9%	Jan - Dec 09
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,176,435,887**	**16,651,921**	**13,012,819**	**21,518,462**	**0.4%**	**0.3%**	**0.5%**	

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

Customer Error

Customer error occurs where there has been a failure by the customer to notify a reportable change that affects the benefit in payment but there is no suspicion of fraud/fraudulent intent. The table below sets out the estimate of Customer Error in 2010. Estimates of Customer Error in 2009 are also shown for comparative purposes.

Estimates of benefit overpayments due to Customer Error in 2010

Benefit	Expenditure £	Monetary Value of Customer Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Customer Error as a % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Benefit Review
Income Support	428,056,340	675,715	52,939	1,587,656	0.2%	0.0%	0.4%	Jan - Dec 10
State Pension Credit	358,483,702	2,083,438	879,408	3,450,918	0.6%	0.2%	1.0%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	230,158	0	894,833	0.1%	0.0%	0.5%	Jan - Dec 09 updated
Disability Living Allowance	750,272,008	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 08 updated
Incapacity Benefit	303,229,889	3,020,324	0	8,912,452	1.0%	0.0%	2.9%	Jan - Dec 09 updated
Employment and Support Allowance	84,777,310	471,539	0	1,205,111	0.6%	0.0%	1.4%	IS Jan - Dec 10 & IB Jan - Dec 09
State Pension	1,649,270,638	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 09 updated
Widow's Benefit /Bereavement Benefit	22,041,416	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,212,759	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	102,019,428	55,987	0	170,907	0.1%	0.0%	0.2%	Jan - Dec 10
Social Fund	84,536,391	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,352,113,140**	**6,537,162**	**1,536,872**	**12,734,899**	**0.2%**	**0.0%**	**0.3%**	

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

Estimates of benefit overpayments due to Customer Error in 2009

Benefit	Expenditure £	Monetary Value of Customer Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Customer Error as a % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	441,928,003	2,348,468	0	6,528,463	0.5%	0.0%	1.5%	Jan - Dec 08 updated
State Pension Credit	340,828,341	5,572,971	1,530,648	10,897,026	1.6%	0.4%	3.2%	Jan - Dec 08 updated
Jobseeker's Allowance	157,414,143	189,555	4,111	463,262	0.1%	0.0%	0.3%	Jan - Dec 09
Disability Living Allowance	717,007,865	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 08 updated
Incapacity Benefit	329,820,776	3,285,182	710,009	6,489,593	1.0%	0.2%	2.0%	Jan - Dec 09
State Pension	1,559,073,426	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 09
Widow's Benefit /Bereavement Benefit	23,442,308	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,734,369	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	95,531,253	1,529,588	0	3,740,251	1.6%	0.0%	3.9%	Jan - Dec 07 updated
Social Fund	84,335,287	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,176,435,887**	**12,925,764**	**6,897,133**	**20,739,094**	**0.3%**	**0.2%**	**0.5%**	

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

Customer Fraud

Customer Fraud occurs where the basic conditions of entitlement have not been met, where the customer could reasonably be expected to be aware of the effect on entitlement to benefit and the customer has deliberately not reported relevant information. The table below sets out the estimate of Customer Fraud in 2010. Estimates of Customer Fraud in 2009 are also shown for comparative purposes.

Estimates of benefit overpayments due to Customer Fraud in 2010

Benefit	Expenditure £	Monetary Value of Customer Fraud £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Customer Fraud as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	428,056,340	4,933,302	1,538,314	9,458,526	1.2%	0.4%	2.2%	Jan - Dec 10
State Pension Credit	358,483,702	3,055,356	1,474,823	5,144,876	0.9%	0.4%	1.4%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	2,971,771	0	6,935,021	1.6%	0.0%	3.6%	Jan - Dec 09 updated
Disability Living Allowance	750,272,008	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 08 updated
Incapacity Benefit	303,229,889	6,565,983	0	16,330,362	2.2%	0.0%	5.4%	Jan - Dec 09 updated
Employment and Support Allowance	84,777,310	1,385,135	127,861	2,642,408	1.6%	0.2%	3.1%	IS Jan - Dec 10 & IB Jan - Dec 09
State Pension	1,649,270,638	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 09 updated
Widow's Benefit /Bereavement Benefit	22,041,416	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,212,759	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	102,019,428	1,228,407	228,763	2,498,046	1.2%	0.2%	2.4%	Jan - Dec 10
Social Fund	84,536,391	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	315,267	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,352,113,140**	**20,455,221**	**11,099,137**	**32,248,733**	**0.5%**	**0.3%**	**0.7%**	

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

Estimates of benefit overpayments due to Customer Fraud in 2009

Benefit	Expenditure £	Monetary Value of Customer Fraud £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Customer Fraud as % of expenditure	[1] Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	441,928,003	4,971,741	0	12,183,255	1.1%	0.0%	2.8%	Jan - Dec 08 updated
State Pension Credit	340,828,341	1,165,024	0	3,114,276	0.3%	0.0%	0.9%	Jan - Dec 08 updated
Jobseeker's Allowance	157,414,143	2,447,502	1,149,092	4,079,536	1.6%	0.7%	2.6%	Jan - Dec 09
Disability Living Allowance	717,007,865	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 08 updated
Incapacity Benefit	329,820,776	7,141,768	2,894,529	12,452,087	2.2%	0.9%	3.8%	Jan - Dec 09
State Pension	1,559,073,426	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 09
Widow's Benefit /Bereavement Benefit	23,442,308	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,734,369	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	95,531,253	1,347,817	0	3,680,630	1.4%	0.0%	3.9%	Jan - Dec 07 updated
Social Fund	84,335,287	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	163,279	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,176,435,887**	**17,237,131**	**9,733,193**	**26,834,555**	**0.4%**	**0.2%**	**0.6%**	

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

B: Strategies to Reduce Fraud and Error

Reducing fraud and error is one of the Agency's top 5 key priorities, with a robust and evolving strategy in place to identify incorrect benefit awards. Activities include specific checks and case reviews in each of the main benefits to identify and correct error, and the investigation of suspected fraud with prosecution of offenders if appropriate. This complements a wide range of checks and controls in place right across the Agency as part of the normal governance procedures.

The Agency ensures that these activities and any future measures are proportionate and represent value for money having regard to the cost of control, the impact on customers in terms of the accessibility and timeliness of benefit payments and the resulting impact on fraud and error.

Overall the Agency's benefit security strategy is working, with the combined levels of fraud and error now at their lowest recorded levels ever. Over the last 7 years estimated overpayments have reduced by 32% from £70.7 million in 2003-04 (1) (2.2% of benefit expenditure) to £48.2 million in 2010 (1.1% of benefit expenditure).

During the 2007-08 financial year the Agency's counter fraud and error activities were subject to review by the Northern Ireland Audit Office and NI Public Accounts Committee. A total of 40 recommendations for improvement were made all of which have now been taken forward and cleared.

Fraud Strategy

The approach to tackling benefit fraud has been successful with benefit fraud sustained at a low level, at 0.5% of benefit expenditure. This has been achieved through a combination of risk assessment and targeting high risk cases, making full use of powers to obtain information, matching data and reducing delays and raising awareness of benefit fraud among staff and the public. The Agency will continue to target its efforts using the present risk-based targeted approach.

The positive impact of the Agency's counter fraud strategy is again reflected in 2010-11 outcomes. The number of customers sanctioned for benefit fraud this year at 1128 represents the highest outcome ever achieved and is a 15% increase on the 982 cases recorded in 2009-10. In addition, the Agency's Financial Investigation Unit brought about the recovery of £506,131 of criminally obtained assets during 2010-11 by way of confiscation orders obtained through the Courts and voluntary payments.

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

During 2010-11 the Agency continued to work in conjunction with the Northern Ireland Housing Executive on cases generated through the National Fraud Initiative (NFI). Of the 1238 cases referred for investigation 652 have now been finalised, and overpayments totalling £148,780 have been raised in respect of these cases. Overpayments amounting to £1,017,326 have also been raised on a further 90 cases that are at various stages in the investigative process. There have been 8 sanctions to date on NFI cases. A further estimated 8,000 cases have now been identified arising from the recent NFI 2 exercise, and plans are being developed for the Agency to again deliver an appropriate and robust response. An NFI culture is now positively embedded within the Agency.

The Agency continues to pursue its counter fraud activity with other external government bodies such as the Department for Work and Pensions in Great Britain and the Department of Social Protection (2) in the Republic of Ireland (ROI) and strives to make further improvements to reduce customer fraud where possible.

It is the Agency's opinion that there is limited scope for further significant reductions in the levels of fraud. This is partly as a result of the Agency's achievements to date and also due to the nature of the complex benefit environment in which the Agency currently operates. The Agency will however continue to do all that it can to maintain and improve on the present position. The Agency will consider the impacts on the measurement of benefit fraud and error arising from the Welfare Reform programme, and will monitor the joint Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) strategy to tackle fraud and error in the benefit and tax credits system.

Error Strategy

During 2010 -11 the Agency's Fraud and Error Reduction Board (FERB), previously known as the Error Reduction Board (ERB), continued to direct and monitor the use of dedicated resources within benefit offices for the purpose of identifying and removing error. These resources are allocated to each benefit based on level of risk and within each benefit all cases are targeted further by use of risk based selection models. This approach is designed to ensure maximum impact from targeted error reduction activity.

During 2010-11, the error reduction activity carried out by benefit areas led to the adjustment of benefit in just over 14,000 cases, with a total monetary value of around £39.3 million. Within this total just over £22.1 million represented adjustments to payments where customers were entitled to additional benefits. Targeting cases, whether at risk of official or customer error, whether benefit overpayments or underpayments, is crucial in continuing to maximise the outcomes from the Agency's counter error activity and, similar to the counter fraud approach, data matching and risk modelling approaches are used to target the highest risk cases.

(2) This Department was formerly known as Department of Social and Family Affairs until it was renamed on 23 March 2010.

Throughout 2010-11 the Agency's Error Reduction Division has worked closely with information technology staff and colleagues from both Operations central branches and the Operations district network to enhance the current Error Reporting and Recording System. This development will for the the first time allow accuracy checks completed throughout the Agency to be recorded on a single database. This will enable enhanced analysis on both official and customer error thereby helping inform future policy on tackling error.

During 2010-11 the Agency's FERB also published its counter error strategy setting out the range of activity planned over the next three years to tackle both staff and customer error. The strategy and its application will be monitored by FERB. Agency staff continue to work closely with colleagues from the Department for Work and Pensions (DWP) in GB, and the Department of Social Protection in ROI, to share best practice and in particular to test new initiatives. To achieve this the Agency is represented at key groups such as the DWP Fraud and Error Stakeholder Engagement Group and the DWP Data Matching Steering Group.

Official Error

The latest figures show an overall reduction in losses through official error - down from £24.5 million (0.8% of total expenditure) in 2003-04 [3] to £21.2m million in 2010, a decrease of £3.3 million. Current levels of official error overpayments now represent 0.5% of total benefit expenditure a reduction therefore in real terms since 2003-04 of 0.3 percentage points. This is despite the ongoing issues facing the Agency in administering social security benefits within a complex legislative and regulatory framework and with outmoded IT systems, as recognised by both the Northern Ireland Audit Office and NI Public Accounts Committee. In order to address these difficulties, significant benefit simplification and major investment in the benefit IT systems is required and these are not matters solely within the Agency's remit to progress.

Despite these difficulties, the Agency remains committed to doing all it can to reduce staff error and has a wide range of control mechanisms built into its system of benefit administration to ensure high levels of financial accuracy. These include extensive training and consolidation of training; the application of benchmark standards for staff; and a programme of regular checks and controls to prevent potential incorrectness and measure and report on Agency performance within this area.

Customer Error

Customer error reduced in 2010 with the estimated amount of overpayments amounting to £6.5 million, 0.2% of total expenditure down from the 2009 estimated overpayments of £12.9 million, 0.3% of total expenditure.

(3) A new methodology for calculating the annual estimates of fraud and error was implemented in 2008. Accordingly caution should be taken when directly comparing estimates with previous years.

Again the Agency recognises that benefit complexity is a problem for customers as well as its staff. In helping to prevent error, customers need to understand what changes in their circumstances they must report to the Agency and when. The Agency has various initiatives in place to tackle customer error. These include better explanation of benefit rules in Agency literature, and striving to ensure customers receive clear explanations and answers to any queries they may raise. Improved ways for customers to access benefit guidance or report their change of circumstances through the internet, are being rolled out and benefit information can also be viewed through the NI Direct website. However in order to deliver major reductions in the levels of both staff and customer error significant effort will be required to drive forward the necessary benefit simplification and address the existing complexities, and to enhance the IT systems that deliver the service.

In addition, major exercises targeting Customer Error are carried out across the benefit system. Those exercises include a programme of case cleansing within State Pension Credit and reviewing those Disability Living Allowance cases with a higher likelihood of a change in the customers' circumstances.

A new programme of customer compliance intervention undertaken by eight Compliance Officers, which was introduced in 2010 following the Benefit Security Review has provided additional means to identify and correct claims where a benefit entitlement is in doubt. This activity identified just over £2 million of benefit adjustments in 2010-11. The introduction of this activity will also ensure that investigative specialists can focus on high risk fraud cases thereby helping to maximise outputs from their criminal investigations.

Overall the Agency has successfully delivered reductions in fraud and error in recent years and it is committed to maintaining its focus on this activity while further improving its service to customers.

C: Underpayments

Benefit Underpayments

The table below shows the estimates of benefit underpayments for the last two years, 2010 and 2009.

Overall the figure for estimated amounts of underpayments has remained at 0.5% of expenditure, a total of £20.7 million (2009:£21.5m).

Estimates of benefit underpayments for 2010 and 2009

2010	Expenditure £	Monetary Value of Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval
Official Error	4,352,113,140	15,095,296	11,832,304	19,298,045	0.3%	0.3%	0.4%
Customer Error	4,352,113,140	5,629,273	0	14,765,347	0.1%	0.0%	0.3%
Total Underpayments 2010	**4,352,113,140**	**20,724,568**	**13,993,171**	**30,780,957**	**0.5%**	**0.3%**	**0.7%**

2009	Expenditure £	Monetary Value of Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval
Official Error	4,176,435,887	16,105,165	12,261,630	20,853,536	0.4%	0.3%	0.5%
Customer Error	4,176,435,887	5,353,189	1,740,648	10,563,194	0.1%	0.0%	0.3%
Total Underpayments 2009	**4,176,435,887**	**21,458,354**	**16,183,583**	**28,507,551**	**0.5%**	**0.4%**	**0.7%**

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

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

The table below sets out the estimate of benefit underpayments due to Official Error in 2010. Estimates for 2009 are also shown for comparative purposes.

Estimates of benefit underpayments due to Official Error in 2010

Benefit	Expenditure £	Monetary Value of Official Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	428,056,340	1,677,244	462,955	3,057,767	0.4%	0.1%	0.7%	Jan - Dec 10
State Pension Credit	358,483,702	4,887,735	2,918,351	7,178,220	1.4%	0.8%	2.0%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	917,112	100,075	2,103,222	0.5%	0.1%	1.1%	Jan - Dec 10
Disability Living Allowance	750,272,008	1,413,313	280,502	2,729,182	0.2%	0.0%	0.4%	Jan - Dec 10
Incapacity Benefit	303,229,889	1,610,184	255,150	3,901,189	0.5%	0.1%	1.3%	Jan - Dec 10
Employment and Support Allowance	84,777,310	2,024,106	1,430,639	2,718,065	2.4%	1.7%	3.2%	Jan - Dec 10
State Pension	1,649,270,638	1,433,723	529,935	2,438,730	0.1%	0.0%	0.1%	Jan - Dec 10
Widow's Benefit /Bereavement Benefit	22,041,416	30,954	8,567	60,227	0.1%	0.0%	0.3%	Jan - Dec 10
Attendance Allowance	195,212,759	134,056	0	410,876	0.1%	0.0%	0.2%	Jan - Dec 10
Carer's Allowance	102,019,428	200,074	0	608,037	0.2%	0.0%	0.6%	Jan - Dec 10
Social Fund	84,536,391	766,795	237,948	1,389,949	0.9%	0.3%	1.6%	Jan - Dec 10
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,352,113,140**	**15,095,296**	**11,832,304**	**19,298,045**	**0.3%**	**0.3%**	**0.4%**	

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

Estimates of benefit underpayments due to Official Error in 2009

Benefit	Expenditure £	Monetary Value of Official Error £	1 Lower Confidence Interval £	1 Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	1 Lower Confidence Interval	1 Upper Confidence Interval	Period of Financial Accuracy Exercise
Income Support	441,928,003	1,585,201	692,451	2,808,626	0.4%	0.2%	0.6%	Jan - Dec 09
State Pension Credit	340,828,341	5,507,013	3,790,024	7,235,429	1.6%	1.1%	2.1%	Jan - Dec 09
Jobseeker's Allowance	157,414,143	191,933	26,680	418,110	0.1%	0.0%	0.3%	Jan - Dec 09
Disability Living Allowance	717,007,865	1,211,677	218,829	2,553,403	0.2%	0.0%	0.4%	Jan - Dec 09
Incapacity Benefit	329,820,776	2,689,890	527,948	5,680,128	0.8%	0.2%	1.7%	Jan - Dec 09
State Pension	1,559,073,426	3,398,912	1,240,378	5,912,653	0.2%	0.1%	0.4%	Jan - Dec 09
Widow's Benefit /Bereavement Benefit	23,442,308	83,445	22,802	163,615	0.4%	0.1%	0.7%	Jan - Dec 09
Attendance Allowance	195,734,369	97,881	0	298,357	0.1%	0.0%	0.2%	Jan - Dec 09
Carer's Allowance	95,531,253	212,454	0	548,391	0.2%	0.0%	0.6%	Jan - Dec 09
Social Fund	84,335,287	1,126,759	337,461	2,016,456	1.3%	0.4%	2.4%	Jan - Dec 09
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,176,435,887**	**16,105,165**	**12,261,630**	**20,853,536**	**0.4%**	**0.3%**	**0.5%**	

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

The table below sets out the estimate of benefit underpayments due to Customer Error in 2010. Estimates of underpayments for Customer Error in 2009 are also shown for comparative purposes.

Estimates of benefit underpayments due to Customer Error in 2010

Benefit	Expenditure £	Monetary Value of Customer Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	428,056,340	1,092,949	187,072	2,363,011	0.3%	0.0%	0.6%	Jan - Dec 10
State Pension Credit	358,483,702	1,207,869	286,895	2,458,647	0.3%	0.1%	0.7%	Jan - Dec 10
Jobseeker's Allowance	191,133,166	155,270	0	702,270	0.1%	0.0%	0.4%	Jan - Dec 09 updated
Disability Living Allowance	750,272,008	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 08 updated
Incapacity Benefit	303,229,889	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 09 updated
Employment and Support Allowance	84,777,310	113,588	24,535	202,640	0.1%	0.0%	0.2%	IS Jan - Dec 10 & IB Jan - Dec 09
State Pension	1,649,270,638	3,059,597	0	12,002,930	0.2%	0.0%	0.7%	Jan - Dec 09 updated
Widow's Benefit /Bereavement Benefit	22,041,416	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,212,759	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	102,019,428	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 10
Social Fund	84,536,391	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	183,080,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,352,113,140**	**5,629,273**	**0**	**14,765,347**	**0.1%**	**0.0%**	**0.3%**	

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

Estimates of benefit underpayments due to Customer Error in 2009

Benefit	Expenditure £	Monetary Value of Customer Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Benefit Review Exercise
Income Support	441,928,003	713,500	0	2,503,727	0.2%	0.0%	0.6%	Jan - Dec 08 updated
State Pension Credit	340,828,341	1,619,541	0	4,073,111	0.5%	0.0%	1.2%	Jan - Dec 08 updated
Jobseekers Allowance	157,414,143	127,878	0	353,128	0.1%	0.0%	0.2%	Jan - Dec 09
Disability Living Allowance	717,007,865	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 08 updated
Incapacity Benefit	329,820,776	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 09
State Pension	1,559,073,426	2,892,270	181,542	7,119,385	0.2%	0.0%	0.5%	Jan - Dec 09
Widow's Benefit / Bereavement Benefit	23,442,308	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance Allowance	195,734,369	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	95,531,253	0	0	0	0.0%	0.0%	0.0%	Jan - Dec 07 updated
Social Fund	84,335,287	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instrument of Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	231,320,117	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,176,435,887**	**5,353,189**	**1,740,648**	**10,563,194**	**0.1%**	**0.0%**	**0.3%**	

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

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

The Agency gives equal attention and priority to identifying and correcting both overpayments and underpayments. Indeed identifying those cases not receiving their full entitlement and correcting the benefit payment is an integral part of the Agency's Error Reduction activities. Of the 14,000 plus cases identified and corrected during 2010-11 over 7,700 represented an increase in benefit award to a total value of over £22.1 million, helping in particular the elderly and disabled.

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

The 2006 DLA Benefit Review identified cases where the change in customers' needs had been so gradual that it would have been unreasonable to expect the customer to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as the Agency cannot quantify or define when the customer's change occurred. Under the specific terms of benefit legislation (to establish a recoverable overpayment) it is necessary for the Agency to prove that entitlement to DLA is incorrect. Cases in this sub-category are therefore technically and legally correct but are reassessed after review activity. (For further clarification on this issue see regulation 7(2) (c)(ii) of the Social Security and Child Support Agency (Decision and Appeals) Regulations (Northern Ireland) 1992 (S.R. 1992 No. 162); regulation 7(2)(c)(ii) was substituted by regulation 2(5) of S.R. 1999 No. 267).

The difference between what claimants in these 'change in customers' circumstances' cases are receiving in excess of DLA entitlement and what they would potentially receive if their benefit was reassessed was estimated to be around £38.0 million, 5.7% of DLA expenditure in 2008. Since there was no DLA Benefit Review in 2010, the 2010 estimate for DLA 'change in customer circumstances' overpayments is estimated by applying the 2008 percentage. In comparison the 2010 estimate is £42.5 million, 5.7% of expenditure. The 2009 estimate was £40.7 million, 5.7% of expenditure. These figures are not included in the total figures in the respective tables above.

The difference between what claimants in the DLA 'change in customers' circumstances' cases are receiving below their DLA entitlement and what they would potentially have been due to receive if their benefit was reassessed was estimated to be £19.4 million, 2.9% of expenditure in 2008. Since there was no DLA Benefit Review in 2010, the 2010 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. In comparison the 2010 estimate is £21.7 million, 2.9% of expenditure. The 2009 estimate is £20.8 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

Report by the Comptroller and Auditor General

Report by the Comptroller and Auditor General

Introduction

1. The Social Security Agency (the Agency) is an Executive Agency within the Department for Social Development (DSD), which in 2010-11 was responsible for the payment of £4.3 billion in benefits.

2. This report reviews the results of my audit of the Agency and sets out why I have decided to qualify my audit opinion. It is important to note that my audit opinion has been qualified for a considerable number of years because of significant levels of fraud and error in benefit expenditure, other than State Pension. I also provide an update on the issues I reported on last year.

Agency arrangements for monitoring and reporting

3. The Agency's Standards Assurance Unit (SAU) regularly monitors and measures the estimated levels of fraud and error within the benefit system. In order to do this, statisticians from the DSD Analytical Services Unit randomly select samples of ongoing benefit claims and SAU subject them to detailed examination for evidence of official error or customer error or customer fraud. The results of this testing are then used to estimate the total level of fraud and error in all of the main benefits, which is presented in Note 26 (entitled 'Payment Accuracy') to the annual accounts. This note explains that the estimates of fraud and error are by their nature subject to uncertainty because they are based on sample testing. These estimates do, however, represent the best measure of fraud and error available. In order to facilitate the timetable for the production of the financial statements, the Agency's testing on payment accuracy is reported on a calendar year basis, not on a financial year basis. I am satisfied that this is reasonable.

4. I examined the work undertaken by the Agency to assess the levels of fraud and error within the benefit system. My staff examined and re-performed a sample of the Agency's case work during the year and also reviewed the methodologies applied by the Agency in carrying out these exercises. I am content that results produced by the SAU are a reliable estimate of the total fraud and error in the benefit system.

Qualified opinion due to irregular benefit payments

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

6. I consider the estimated levels of fraud and error in benefit expenditure to be material and I have therefore qualified my audit opinion on the regularity of benefit expenditure (other than in relation to State Pension which has a low incidence of error and no reported customer fraud).

7. Table 1 below shows the total benefit payments that were made during the calendar year of 2010 and the estimated amounts of error in relation to each benefit based on the work done by SAU. The table shows that total benefits (other than state pension) amounted to £2.7 billion and of this amount fraud and error gave rise to:

- overpayments of £47.5 million (1.76 per cent of related expenditure); and

- underpayments due to official error of £13.7 million (0.51 per cent of related expenditure).

All of the overpayments are irregular, whereas only underpayments made as a result of official error (£13.7 million or 0.51 per cent of related expenditure) are deemed irregular. Underpayments due to customer error are not deemed irregular.

Table 1: Estimated Overpayments and Underpayments due to fraud and error in benefit expenditure (2010) [1] (Note 26 to the Accounts)

	Benefits (other than State Pension)	State Pension	Total
	£million	£million	£million
Expenditure	2,702.8	1,649.3	4,352.1
Overpayments due to:			
Official error	20.5	0.7	21.2
Customer error	6.5	0	6.5
Customer fraud	20.5	0	20.5
Sub-total	47.5	0.7	48.2
Underpayments due to:			
Official error	13.7	1.4	15.1
Customer error	2.5	3.1	5.6
Sub-total	16.2	4.5	20.7

1 Estimates in this and the other tables are quoted to the nearest £0.1million and presented with 95 per cent confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty.

8. My regularity opinion is not qualified in respect of State Pension payments

because the testing carried out by SAU found no fraud within State Pension payments and the estimated level of error (as shown in Table 1) within State Pension is not significant.

Estimated levels of fraud and error

9. Fraud and error in benefit awards can arise because of internal Agency error (official error), customer error or customer fraud. Table 2 shows the trends since 2006 in estimated levels of overpayments and underpayments due to each of these.

Table 2: Trends in total estimated overpayments and underpayments due to fraud and error in benefit expenditure

	2010	2009	2008	2007	2006
	£million	£million	£million	£million	£million
Total benefit expenditure	**4,352.1**	**4,176.4**	**3,788.8**	**3,630.0**	**3,501.0**
(1) Overpayments					
Official error	21.2	16.7	18.4	23.9	27.9
Customer error	6.5	12.9	13.4	11.3	14.0
Customer fraud	20.5	17.2	12.6	12.3	18.1
TOTAL	**48.2**	**46.8**	**44.4**	**47.5**	**60.0**
% of benefit expenditure	**1.1%**	**1.1%**	**1.2%**	**1.3%**	**1.7%**
(2) Underpayments					
Official error	15.1	16.1	17.2	23.6	19.0
Customer error	5.6	5.4	2.5	2.5	2.7
TOTAL	**20.7**	**21.5**	**19.7**	**26.1**	**21.7**
% of benefit expenditure	**0.5%**	**0.5%**	**0.5%**	**0.7%**	**0.6%**

Source: Social Security Agency Accounts 2005-06 to 2010-11

10. The Agency estimates that in 2010 losses of £48.2 million have arisen through overpayment of benefits to claimants due to fraud and error, representing 1.1 per cent of total benefit expenditure. This compares with losses of £46.8 million in 2009 which also equated to 1.1 per cent of total benefit expenditure. Total benefit expenditure increased by £175.7 million (or 4.2 per cent) in 2010 compared to 2009.

11. There is a general trend of an overall percentage reduction in total overpayments due to fraud and error year on year and in particular, I welcome the decrease in customer error from £12.9 million in 2009 to £6.5 million in 2010 (0.3 per cent to 0.2 per cent of total benefit expenditure) and hope that this decrease can be sustained in future years.

12. I am, however, concerned over the increase in overpayments due to both customer fraud and official error. Overpayments arising from customer fraud have increased from £17.2 million in 2009 to £20.5 million in 2010 (0.4 per cent to 0.5 per cent of total benefit expenditure) mainly due to an increase in estimated fraud levels in state pension credit and also because fraud levels have been estimated for Employment Support Allowance (ESA) for the first time in 2010 – there was no comparative figure in 2009. I asked the Agency to comment on this increase in fraud and the Agency told me that the majority of the increase in customer fraud is directly attributable to a rise in estimated fraud within State Pension Credit. The increase relates primarily to higher instances of cases detected where occupational pension has not been declared. The Agency devoted specific resources to this area during 2010-11 and will continue to do so in 2011-12, assisted through the continued activity arising from the National Fraud Initiative. While the customer fraud figure for ESA contributes to the remainder of the increase, (ESA estimates have been included within the Agency's fraud and error figures for the first time in 2010), this is an estimated figure based on the levels of fraud within the Incapacity and Income Support benefits. Formal sampling of the new ESA benefit in respect of its specific customer fraud and error is underway for the first time in 2011-12 and this will inform the Agency's future counter fraud activities in this area.

13. I note that overpayments due to official error have increased from £16.7 million in 2009 to £21.2 million in 2010 (0.4 per cent to 0.5 per cent of total benefit expenditure). I am disappointed in this increase as it is my view that this is the area where the Agency continues to have the most control.

14. The estimated levels of fraud and error across different benefits vary significantly. The benefits system is complex and some benefits are easier to administer than others. Note 26 of the Agency's annual accounts shows that levels of fraud and error continue to be lowest for those non-means tested benefits, such as State Pension, which are easier to claim, relatively easy to determine and largely unaffected by changes in circumstances. Fraud and error is more frequent in means tested benefits, where a claimant's financial circumstances are required to be taken into account.

15. I welcome the overall reduction in underpayments from £21.5 million in 2009 to £20.7 million in 2010. However I note that while underpayments due to official error have steadily declined each year since 2006, underpayments due to customer error have more than doubled to £5.6 million in the same period. The Agency told me a Benefit Review was carried out on State Pension (SP) for the first time in 2009. The customer fraud and error estimates previously used for State Pension came from the results of the 2005 DWP National

Benefit Review Pilot and there were no Customer Error (CE) underpayments recorded. Using the results of the 2009 SP Benefit Review, the SP CE underpayments estimate for 2010 was £3.1m and this makes up the majority of the increase in customer error underpayments from 2006. (The £3.1m estimate is made up of only four errors equating to 0.2% of the 2010 SP expenditure).

Other matters meriting comment

Social Fund

16. The Agency is responsible for social fund payments, which totalled £84.5 million in the calendar year 2010. The Financial Accuracy exercise completed by SAU and included within Note 26 estimated that official error overpayments and underpayments for social fund expenditure were £0.98 million and £0.77 million respectively, which represented a significant decrease compared to 2009. My regularity qualification includes these social fund official error overpayments and underpayments. SAU has never carried out a benefit review of social fund payments and in my 2009-10 report I recommended the Agency to carry out a benefit review to estimate the level of customer fraud and error for this benefit. This review has not yet been undertaken. I asked the Agency what progress has been made and the Agency told me that due to the complexity and expense associated with the measurement of benefit fraud and error consideration must be taken of the relative value/risk profile of each benefit. Social Fund is considered to represent a much lower risk of loss than other benefits. This is partly because Social Fund payments are one-time payments and an error would not generate an ongoing loss, which is more often the position with other weekly/fortnightly paid benefits. Moreover, around three quarters of Social Fund expenditure is repayable (i.e. loans) which means that error is automatically recovered when the loan is repaid. The Agency also advised that some Social Fund payments are paid primarily because the recipient receives other social security benefits that are already subject to regular review and that the policy not to measure Customer Fraud and Error for Social Fund expenditure is consistent with the approach taken by the Department for Work and Pensions in GB. The Agency will however continue to monitor SAU data to ensure that this position does not adversely change.

17. The Agency also prepares a separate Social Fund White Paper Account and on 12 May 2011 I qualified my audit opinion for 2006-07 and 2007-08 due to:

- significant levels of error in social fund payments (except for winter fuel payments and cold weather payments); and

- a limitation of scope audit opinion as there was insufficient evidence to support the debt notes in the accounts – Notes 2,3 and 4.

The completion of the accounts was delayed due to the time involved in agreeing the qualification issues. Now that these issues have been agreed, I will work with the Agency to bring these accounts up to date.

Disability Living Allowance - Changes in Circumstances

18. Note 26 of the Agency's annual accounts identifies cases where a gradual change in customers' needs has occurred so that entitlement to Disability Living Allowance (DLA) may have changed. When an individual's DLA entitlement is periodically reviewed, and it is found that their condition has gradually improved or deteriorated to an extent that it now impacts on their care and/or mobility needs, then there may be a change in the benefit allowance paid to the individual. In these circumstances the legislation governing the administration of DLA determines there are no overpayments or underpayments and the benefit is adjusted from the date of the review. Therefore these cases are omitted from the estimated overpayments and underpayments reported by the Agency.

19. For 2010 the Agency estimates that customers are receiving in excess of £42.5 million above the DLA entitlement for these cases and £21.7 million below their DLA entitlement. Results from the most recent DLA benefit review (performed in 2008) show that almost one in five (18.2 per cent) cases reviewed contained a change in customer circumstances not reflected in the DLA benefit payment being made. I acknowledge that these cases are legally and procedurally correct, however identifying when customers' circumstances change at the earliest opportunity is important for both the Agency and the customer. I asked the Agency what is currently being done to reduce the incidence of these specific cases. The Agency told me that in line with recommendations from the Northern Ireland Audit Office and the Public Accounts Committee (PAC), it continues to identify DLA cases that are likely to result in a change of circumstances. In addition, the Agency's Fraud and Error Reduction Board ring-fences specific funding year on year to target and correct these DLA claims.

Benefit overpayments to be recovered

20. Benefit overpayments arise whenever benefits are paid in error to customers. The gross benefit debt is the amount due to the Agency from customers and this amount is impaired to recognise that full repayment may not be received or may take a considerable number of years to repay.

21. Table 3 below shows the total value of benefit overpayments to be recovered by the Agency as at 31 March for each of the last four financial years. I am concerned that both the gross and net levels of benefit overpayments have increased considerably over the past three years.

22. I asked the Agency to comment on this increase. The Agency told me this is due to its increased effectiveness in recent years in both detecting overpayments arising from fraud and error and in referring the debt for registration and recovery. Almost 83,000 new debts were registered during 2010-11 (2009-10 – 84,000, 2008-09 – 68,000 and 2007-08 - 42,000). Recovery of benefit debt also increased each year (2010-11 - £11.74 million, 2009-10 - £11.48 million, 2008-09 - £9.2 million and 2007-08 - £7.9 million).

However, there are statutory and other limitations in place regarding the amounts that can be recovered. For example, consideration must be given to the financial circumstances of individual customers to ensure benefit overpayment debts are repaid at an affordable rate and to protect debtors from undue hardship. As repayment is generally made over a period of time and can be prescribed, the Agency is therefore unable to recover debt at the same rate at which it is identified. In addition, the impairment amounts and the net value of benefit debt are calculated and presented purely for financial reporting purposes. The Agency's debt management policy is to recover the full amount of the benefit overpayment.

Table 3: Trends in benefit debt to be recovered

	31/03/2011	31/03/2010	31/03/2009	31/03/2008
	£'000	£'000	£'000	£'000
Total gross benefit debt	**95,257**	**90,654**	**81,796**	**75,702**
Impaired amount	**56,280**	**51,816**	**51,267**	**47,546**
Total net benefit debt	**38,977**	**38,838**	**30,529**	**28,156**

Source: Social Security Agency Accounts 2007-08 to 2010-11

Benefit cases written off

23. I note that 53,296 benefit cases totalling £15 million were written off during 2010-11, compared with 54,343 cases totalling £17.1 million during 2009-10. This equates to an average write off per case of £282 (2009-10 - £315). I will continue to monitor the value of cases written off.

Employment and Support Allowance

24. Employment and Support Allowance (ESA) replaced Incapacity Benefit and Income Support on the grounds of incapacity, for new claims following its introduction in October 2008. The Agency paid £4.6 million in respect of this new benefit in 2008, £39.4 million in 2009 and this has risen to £84.8 million in 2010.

25. The Agency introduced a formal financial accuracy target of 95 per cent in 2010 and the Agency's SAU completed a review of ESA for the calendar year 2010, concluding that estimated overpayments and underpayments in ESA due to official error totalled £2.6 million and £2.0 million respectively. This equates to a financial accuracy rate of 94.6 per cent, just below the target of 95 per cent. This target is lower than the financial accuracy targets for other benefits, which, as outlined in the Annual Report, are either 98 per cent or 99 per cent. I asked the Agency why a lower financial accuracy target for ESA has been set. The Agency told me that Employment and Support Allowance (ESA) is a relatively new benefit and that the delivery of high accuracy levels

within new benefits creates a particular challenge which was recognised with the introduction of ESA. For this reason the 2010-11 target was set to provide an appropriate early benchmark upon which to build performance. The Agency has measures in place such as error analysis, accuracy improvement plans and targeted error reduction activity to achieve this aim. The ESA fraud and error estimates are included for the first time in the Agency's 2010 results and the ESA Financial Accuracy target of 95% was achieved within statistical tolerance.

Counteracting fraud and error

26. In general, I acknowledge the considerable effort and resources that the Agency has put into reducing the estimated levels of fraud and error. The Agency currently has a number of ongoing programmes in place aimed at counteracting the levels of benefit fraud and error.

27. As part of its efforts in this area, during 2010-11 the Agency published its error reduction strategy up to 2013-14. One element of this strategy was to establish a customer compliance unit to identify cases where customers have not reported changes in their circumstances. The Agency has told me that this new unit, which was only fully operational in the latter half of the year has already identified errors in 612 cases resulting in over £2 million of adjustments.

28. A key part of deterring fraud will be ensuring that an effective deterrent to fraud is available in the form of appropriate penalties. The Agency has told me that during 2010-11 it imposed 1,128 sanctions on customers who had made fraudulent claims for benefit. These included:

- 542 people were convicted in the courts for fraud totalling £4.6 million, with offenders receiving jail sentences, suspended jail sentences, community service orders, conditional discharges and fines; and

- 4 formal cautions and 582 administrative penalties imposed by the Agency.

29. The Agency has also told me that its financial investigation unit has brought about the recovery of £506,131 criminally obtained assets by way of confiscation orders obtained through the courts and additional voluntary payments and has also referred eight cases to the Police Service for Northern Ireland (PSNI). Some of these cases have the potential for recovering significant overpayments of social security benefits alongside other potential offences.

30. In relation to cross border benefit fraud, the Agency continues to work closely with the Department for Work and Pensions and the Department of Social Protection in the Republic of Ireland through the cross border forum. The Agency has told me that during 2010-11 a total of 13 cases of cross border benefit fraud were detected with overpayments amounting to a monetary value of £334,000.

National Fraud Initiative

31. The National Fraud Initiative is an exercise to conduct data matching scans to assist in the prevention and detection of fraud. A matching exercise was carried out in September 2008 which identified just over 13,700 cases which required further examination as occupational pension or income information potentially conflicted with that held on Social Security Agency or Housing Benefit records. To date, overpayments amounting to £1.2 million have been identified as part of this Initiative.

32. In February 2011 I published a separate report on the 2008-09 National Fraud Initiative for the whole of the Northern Ireland public sector. The 2010-11 National Fraud Initiative has recently commenced and I will report on this in due course.

International Financial Reporting Standards (IFRS)

33. I qualified my 2009-10 audit opinion with a limitation in scope on my audit of non-current IT and intangible assets and associated resource costs as I was unable to determine whether the Agency had applied the correct accounting treatment to the relevant expenditure and assets. In 2010-11, the Agency has provided sufficient documentation and explanations to support its accounting treatment of non-current IT and intangible assets and my audit opinion is no longer qualified on this matter.

Conclusion

34. I consider that the estimated levels of fraud and error reported are material and I have therefore qualified my opinion on the Social Security Accounts 2010-11 on the regularity of benefit expenditure (other than state pension benefits).

35. The Agency has continued to address the matters which give rise to the longstanding qualification of the opinion and I acknowledge the efforts being made to further improve the accuracy of benefit payments. I welcome that the Agency's anti fraud initiatives, including the work of the customer compliance unit and its work associated with the National Fraud Initiative are continuing to identify fraud. The Agency has had to overcome continued challenges this year including efficiencies required as a result of the 2008-11 budget settlement, the ongoing preparation and implementation activities for welfare reform, the ongoing delivery of its modernisation programme and the impact of the economic downturn.

36. I recognise the difficulties faced by the Agency with regard to the complexity of many of the benefits at a time of significant demand and resourcing pressures. I welcome that the Accounting Officer's Statement on Internal Control highlights the significant ongoing problems relating to benefit fraud and error and summarises the robust and evolving error reduction steps the Agency has in place. I continue to support the various initiatives that aim to reduce the levels of fraud and error in benefit expenditure and I will continue to monitor the impact on performance.

KJ Donnelly
Comptroller and Auditor General

29 June 2011

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Designed by DSD Marketing Team August 2011

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