



DfC

Department
for Communities
www.communities-ni.gov.uk



Social Fund Account

for the year ended 31 March 2017

July 2018



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Department for Communities

Social Fund Account
for the year ended 31 March 2017

Laid before the Northern Ireland Assembly under section 146(4)
of the Social Security Administration (Northern Ireland) Act 1992
by the comptroller and Auditor General for Northern Ireland

3 July 2018



Contents

Foreword	6
Statement of Accounting Officer's Responsibilities	12
Governance Statement	13
The Certificate of the Comptroller and Auditor General to the Northern Ireland Assembly	24
Social Fund Receipts and Payments Account for the year ended 31 March 2017	27
Notes to the Accounts	29
Appendix 1: Accounts Direction Given by Department of Finance	38
Appendix 2: Format of Account and Disclosure Requirement	40
Appendix 3: Report by the Comptroller and Auditor General	41

Foreword

Presentation of Account

- 1.** The Department for Communities (DfC) presents its Social Fund Account which is prepared in accordance with section 146(4) of the Social Security Administration (NI) Act 1992 and the Department of Finance (DoF) accounts direction (included as an appendix to this account).

As part of the Stormont House Agreement and The Departments (Transfer of Functions) Order (Northern Ireland) 2016 on the 08 May 2016 the NI Social Security Agency (NISSA) and the Department for Social Development (DSD) became part of the new Department for Communities (DfC). The functions and business operations of NISSA and DSD remain largely unchanged and the administration of Social Fund expenditure transferred to DfC.

Also to note, as a result of the departmental re-structuring the Department of Finance and Personnel (DFP) is now the Department of Finance (DoF).

Statutory Background

- 2.1** The Social Fund was established in 1987 under Article 33 of the Social Security (Northern Ireland) Order 1986 and continued in being by section 146 of the Social Security Administration (Northern Ireland) Act 1992. Section 134(1) (a) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 provides for maternity and funeral loans in prescribed circumstances. Section

134(1) (b) of that Act provides for other needs to be met in accordance with directions and guidance issued by the Department for Communities in respect of loans and community care grants. Section 134(2) provides for payments in prescribed circumstances to meet extra expenses for heating incurred or likely to be incurred during periods of very cold weather.

- 2.2** The first phase of the Social Fund comprising maternity and funeral loans came into operation on 6 April 1987. The second phase was introduced on 11 April 1988 and replaced all remaining supplementary benefit single payments and some urgent needs payments. Regulations were introduced in November 1988 which provided for payments to be made to certain Income Support customers following a period of cold weather, enhanced by further regulations in November 1991 to include payments when cold weather is forecast. The Winter Fuel Payments scheme was introduced by the Department under Regulations made in exercise of powers conferred by Section 134 (2) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, which came into operation on 16 January 1998.
- 2.3** Payments from the Fund are split into two broad categories, regulated and discretionary. Regulated payments are Maternity Expenses, Funeral Loans, Cold Weather Payments and Winter Fuel Payments and are demand led.

Discretionary payments comprise Budgeting Loans, Crisis Loans and Community Care Grants and are demand led and cash limited. All payments, with the exception of Crisis Loans, are made subject to relevant qualifying conditions being met. From October 1996 Jobseeker's Allowance (Income Based), which replaced Income Support payable to the unemployed, became a qualifying benefit for Social Fund payments.

- 2.4** Legislation was introduced with effect from April 1998 that allowed the recovery of Social Fund overpayments.
- 2.5** The Welfare Reform (NI) Order 2015 provides for the abolition of the discretionary Social Fund and the introduction of a new Discretionary Support Scheme; Community Care Grants and Crisis Loans were replaced with locally based support. The new Discretionary Support Scheme went live on the 28 November 2016. Discretionary Support (DS) loans and grants are not administered under Social Fund legislation and are not part of the Social Fund White Paper Account. The DS loans and expenditure amounts are included in the 2016–17 DfC Annual Report and Accounts.

Social Fund Budgeting Loans will remain until they are replaced by Budgeting Advances under Universal Credit. Universal Credit went live in Northern Ireland (NI) in September 2017. As the Department for Communities (DfC) begins to phase in Universal Credit payments, Social Fund Loan recovery will transition from legacy benefit payments to Universal

Credit. This transition will include transferring Social Fund customer debt to the main DfC Debt Management System. The Department will monitor the impact of Welfare Reform changes on Social Fund benefit administration.

Categories of Payments

3.1 Sure Start Maternity Grants

The Sure Start Maternity Grant scheme was introduced on 27 March 2000 to replace the £100 Maternity Payment. It is available to families on Income Support, Jobseeker's Allowance (Income Based), Employment and Support Allowance (Income Related), Pension Credit, Child Tax Credit or Working Tax Credit, where a disability or severe disability element is included in the award, Child Tax Credit at a rate higher than the family element and Housing Benefit.

The Grant is worth £500 in respect of babies expected, born, adopted or subject of a parental order in respect of a surrogate birth on or after 16 June 2002. Changes to the rules were introduced on the 24 January 2011, since then the grant has been limited to the first child for babies born on or after the 11 April 2011. There was a further change in the rules effective from 29 October 2012 whereby Sure Start Maternity Grants are available in some circumstances when there is a multiple birth.

3.2 Funeral Loans

Funeral Loan payments are available to help with the cost of a funeral. They may be made to customers or their partners, who meet the eligibility criteria and who are

in receipt of Income Support, Employment and Support Allowance (Income Related), Jobseeker's Allowance (Income Based), Pension Credit, Working Tax Credit where a disability or severe disability element is included in the award, Child Tax Credit at a rate higher than the family element and Housing Benefit. Funeral Loan payments are normally recoverable from the estate of the deceased, even if the estate is not sufficient to permit full recovery.

3.3 Cold Weather Payments

Cold Weather Payments are payable to customers in receipt of Pension Credit, Income Support, Employment and Support Allowance (Income Related), or income based Jobseeker's Allowance who have a disability, or a pensioner premium, or who have a disabled child or a child less than 5 years of age. Customers receive payments of £25 (maintained at a level of £25 for the ninth consecutive year) for each period of seven consecutive days during which the average temperature was or was forecast to be zero degrees Celsius or below in areas where the customer lives. This is based on information from the Meteorological Office in relation to weather stations and postcodes linked to those stations. There were no Cold Weather triggers in the 2016–17 financial year.

As part of the Welfare Reform Bill 2015 Cold Weather Payments contribute to expenditure within the constraints of the Welfare Cap.

3.4 Winter Fuel Payments

The Winter Fuel Payments scheme was introduced in January 1998 to specifically help older people with their winter fuel bills. The eligibility criterion is that during the specified week the household has an occupant ordinarily resident in GB or NI aged 63 or over. The need to be in receipt of a qualifying benefit, which existed prior to 16 December 1999, has been removed.

The total amount payable to a person aged 63–79 years living alone in their own home was £200 for the 2016–17 financial year (£100 if they shared a home with another eligible person aged 63–79). For people aged 80 or over the amount payable for 2016–17 was £300 (£150 if they shared a home with another eligible person aged 80 or over). Where there is only one person in the household who is entitled, the full Winter Fuel Payment is made. If there is another eligible person in the household who qualifies, the lower level of £100 is made to the eligible person 63–79 and £200 is payable to the eligible person aged over 80. The qualifying age for Winter Fuel Payments for men and women born on or before 5 May 1953 is increasing in line with the increase in State Pension age. The qualifying age for Winter Fuel payments for both men and women is based on women's State Pension age.

The qualifying week for Winter Fuel Payments for 2016–17 was the week beginning 19 September 2016.

Legislation was introduced in November 2014 that means from September 2015 Winter Fuel Payments are no longer payable in European Economic Area (EEA) countries (and associated territories) where the average winter temperature is higher than the warmest region of the UK (South West England). This temperature is set at 5.6 degrees Celsius for this and future years.

The countries where this applies are Cyprus, France, Gibraltar, Greece, Malta, Portugal and Spain.

As part of the Welfare Reform Bill 2015 Winter Fuel Payments contribute to expenditure within the constraints of the Welfare Cap.

3.5 Budgeting Loans

Payable to customers in receipt of Income Support or Jobseeker's Allowance (Income Based), Employment and Support Allowance (Income Related) and Pension Credit, to help with major items of expenditure or services. Loans are repayable, normally by deduction from benefit.

3.6 Crisis Loans

Crisis Loans are payable without regard to a qualifying benefit to customers faced with emergencies or the consequences of a disaster; it is primarily to help to relieve a serious risk to health or safety of customers and their dependants. Loans are repayable either by direct repayment or by deduction from certain benefits. As part of the Welfare Reform Order (NI) 2015

Crisis Loans were abolished and replaced with the new Discretionary Support (DS) scheme. The new scheme came into effect on the 28 November 2016. This expenditure is not administered under Social Fund legislation and is not reflected in the Social Fund White Paper Account. The DS loans and grant expenditure is included in the 2016–17 DfC Annual Report and Accounts.

3.7 Community Care Grants

Payable to promote the community care of customers qualifying for Income Support or Jobseeker's Allowance (Income Based), Employment and Support Allowance (Income Related) and Pension Credit. The main purpose is to help vulnerable groups lead independent lives in the community rather than go into institutional or residential care, or to help such people re-establish themselves in the community following a period of care; ease exceptional pressures on families; and to help with certain travelling expenses. As part of the Welfare Reform Order (NI) 2015 Community Care Grants were abolished and replaced with the new Discretionary Support (DS) scheme. This new scheme came into effect on the 28 November 2016. This expenditure is not administered under Social Fund legislation and is not reflected in the Social Fund White Paper Account. The DS loans and expenditure is included in the 2016–17 DfC Annual Report and Accounts.

Financial Basis of the Social Fund 2016–17 & NI Civil Service Departmental Restructuring

4. On the 8 May 2016 the NI Social Security Agency (NISSA) and the Department for Social Development (DSD) became part of the new Department for Communities (DfC). The responsibility for Social Fund benefit and loan administration transferred to DfC. The expenditure on Social Fund benefits and loans is also reported within the Annual Report and Accounts for DfC.

The Social Fund is, in part, financed by grants from the Consolidated Fund, which in 2016–17 were payable from DfC Vote Resource A, line A29 for regulated expenditure, line A30 for winter fuel payments, and line A7 for crisis loans and community care grants.

In addition, section 74(1) of the Social Security Administration (NI) Act 1992 provides for the repayment of loans, recoveries of which help finance the fund; and section 74(4) of the Act provides that payments to meet funeral expenses may be recovered from the deceased person's estate.

Funding for some discretionary elements of Social Fund in NI, Community Care Grants and Crisis Loans transferred from Annually Managed Expenditure (AME) to Departmental Expenditure Limits (DEL) from 1 April 2013. The amount of funding necessary to meet the expenditure requirements for these discretionary elements is contained within the overall DfC Consolidated Fund draw

down for the 2016–17 financial year. In order to identify the specific funding amount for the Social Fund discretionary elements a calculation is completed based on the annual Crisis Loan issues and receipts and Community Care Grant payments. This net funding amount is disclosed separately within the Social Fund receipts and payments account as Receipts from DfC Consolidated Fund.

From April 2014 funding for Sure Start Maternity Grants & Funeral Loans transferred from Annually Managed Expenditure (AME) to Departmental Expenditure Limits (DEL).

Changes to the Social Fund accounts from 01 April 2017

5. Per above the Welfare Reform (NI) Order 2015 provided for the abolition of the discretionary Social Fund and the introduction of the new Discretionary Support Scheme. On 28 November 2016 Community Care Grants and Crisis loans were replaced with Discretionary Support Loans and Grants.

For the 2017–18 financial year Community Care Grant payments and Crisis Loans issues will therefore no longer feature within the Social Fund receipts and payments account.

Crisis Loan recoveries will continue to be received into the Department. These recoveries will no longer fund Social Fund expenditure and for the 2017–18 financial year Crisis Loan receipts will no longer be included within the Social Fund receipts

and payments account. In order to reflect the outstanding balances for Social Fund Crisis Loans the recovery amounts will continue to be disclosed within the notes to the Social Fund accounts. The Statement of Loans and Age of Loans Analysis notes will therefore continue to reflect the activity and loan balances for both Crisis Loans and Budgeting Loans.

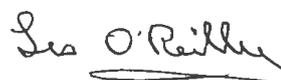
The expenditure and loan balances for the Discretionary Support Scheme are included within the DfC Annual Report and Accounts.

Annual Report on the Social Fund

6. The Department for Communities is required by Section 146(5) and (6) of the Social Security Administration (NI) Act 1992 to prepare an annual report on the Social Fund and to lay a copy of the report before the Northern Ireland Assembly. This report and the Annual Report of the Social Fund Commissioner for 2016–17 were published on 09 March 2018.

Audit Arrangements

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



Leo O'Reilly
Accounting Officer

Date: 25 June 2018

Statement of Accounting Officer's Responsibilities

Under Section 146(4) of the Social Security Administration (NI) Act 1992, accounts of the Social Fund are to be prepared in such form and in such manner as the Department of Finance (DoF) may direct. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the year end.

In preparing the accounts, the Accounting Officer is required to comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) and in particular to:

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

The Department of Finance has appointed the Permanent Secretary of the Department for Communities (DfC) as Accounting Officer for DfC. The Accounting Officer for the Department for Communities is also the Accounting Officer for the Social Fund. 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 Department for Communities' assets are set out in "Managing Public Money Northern Ireland" published by the Department of Finance.

The Accounting Officer confirms that the Foreword and accounts as a whole are fair, balanced and understandable and takes personal responsibility for the Foreword and accounts and the judgements required for determining that it is fair, balanced and understandable.

Audit

As Accounting Officer I confirm, so far as I am aware, there is no relevant audit information of which the auditors are unaware.

I have taken all the steps that I ought to have taken to ensure that I am aware of any relevant audit information and to establish that the auditors are aware of that information.

Governance Statement

1. Introduction

The Governance Statement for the Department for Communities (DfC) has been compiled from work throughout the year to support stewardship, management and control of the Department. It supplements the annual accounts and explains the framework of governance and risk management operated in support of my role as Departmental Accounting Officer.

2. Department for Communities (DfC) Governance Framework

2.1 Overview of Arrangements

DfC has a corporate governance framework which specifies organisation and governance structures; roles and responsibilities of those charged with governance; and key internal control, risk management and assurance arrangements. The framework reflects the key principles of good practice set out in “Corporate Governance in Central Government Departments: Code of Good Practice NI 2013” (the Corporate Governance Code).

The Department operates under the direction and control of the Minister for Communities. The Minister is responsible and accountable to the Assembly for the policies, programmes and actions of the Department. As Permanent Secretary for DfC I am the Minister’s principal adviser as well as the administrative head

of the Department and the Departmental Accounting Officer. As Accounting Officer I am personally responsible and accountable for the effective management and organisation of the Department, the efficient and effective use of its resources and the stewardship of its assets.

I am assisted in my role as Accounting Officer by a Departmental Management Board. The Board is supported in its role by a Departmental Audit and Risk Assurance Committee and an Information Assurance Committee.

2.2 Departmental Management Board

For 2016–17 the Departmental Management Board encompassed the five DfC Deputy Secretaries along with Independent Board Members (IBMs) operating as a collegiate committee under my leadership.

The Board was supported throughout the year by the Director of Financial Management and Governance, the Director of Finance and Commercial Services, the Director of HR and Estates and the Director of Strategic Policy and Planning who all attended Board meetings.

The Board met on 10 occasions during 2016–17 with attendance as follows:

Board Members	Board Meetings Attended	Out of a Possible
Leo O'Reilly (Chair), Permanent Secretary	10	10
Andrew Hamilton, Deputy Secretary	9	10
Denis McMahon, Deputy Secretary	9	10
Tommy O'Reilly, Deputy Secretary	8	10
Ian Maye, Deputy Secretary	8	10
Jackie Kerr, Deputy Secretary (from 22 August 2016)	7	7
Tracy Meharg, Deputy Secretary (to 31 August 2016)	3	4
Roy Keenan, IBM	7	10
John West, IBM	7	10
Deep Sagar, IBM to 31 July 2016	3	3

2.3 Board Committees

Departmental Audit and Risk Assurance Committee (DARAC)

DARAC is a committee of the Board, independent of the Department's executive structure and with no executive powers. Its role is to support the Board on issues of risk control and governance. It does this through reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's needs and reviewing the reliability and integrity of those assurances.

The committee comprised four independent members and two IBMs up until December 2016 when the number of independent members reduced to three. The committee is chaired by an IBM and executive attendance includes the Deputy Secretary with responsibility for Finance, the two Finance Directors and the Head of Governance. I also attend along with the Head of Internal Audit and the NIAO.

The Committee met four times during 2016–17. The quorum for Committee meetings is three members. All meetings were quorate with attendance as follows:

Audit and Risk Assurance Committee Members	Board Meetings Attended	Out of a Possible
Roy Keenan, IBM (Chair)	4	4
John West, IBM (Member)	4	4
Patrick Anderson (Independent Member)	3	4
Michael Donnelly (Independent Member)	3	4
Julie Thompson (Independent Member)	4	4
Lianne Patterson (Independent Member to 31 December 2016)	3	3

Departmental Information Assurance Committee (DIAC)

DIAC is also a committee of the Board. Its role is to ensure that the Department has appropriate policies, management and governance systems to effectively protect the considerable volume of information held by DfC.

DIAC assists the Board and me as Accounting Officer with responsibilities relating to the use, processing, storage, sharing and transmission of information or data and the systems and processes used for those purposes.

Information Assurance encompasses physical, personnel and information security; information management; IT security; information systems security and accreditation; information risk management; and the more effective use of information.

DIAC is chaired by the Department's Senior Information Responsible Officer (SIRO). Membership comprises; the Departmental Security Officer (DSO); the Departmental Information Manager (DIM); the Information Technology Security Officer (ITSO); the Departmental Accreditor; the Head of Internal

Audit; the Head of Analytical Services and relevant Information Asset Owners as directed by the SIRO.

3. Ministerial Directions

Arrangements exist to respond to situations where an Accounting Officer believes he/she is being asked by a Minister to take a course of action that could potentially result in irregular expenditure, impropriety, or poor value for money. In such circumstances, the Accounting Officer may seek a formal Ministerial Direction to proceed. No Ministerial Directions were sought or given during 2016–17.

4. Board Performance

Issues reserved for the Board's attention were scheduled at the start of the year in an annual planner; these were then assigned to specific meetings throughout the year to ensure Board coverage and attention.

Throughout 2016–17, the Board received regular assurance updates from DARAC and scrutinised a range of issues including:

- A regular Stewardship Report encompassing key financial, budgetary and HR data; and

- A Corporate Risk Register and Group Risk Registers (on a rotation basis).

The Board obtained assurance relating to the quality of information it received through a variety of measures including:

- assurance ratings from Internal Audit reviews;
- statistical information produced by the Department's statisticians; and
- financial information prepared from internal and external finance systems validated by qualified accountants.

A Register of Board Interests is maintained and 'Conflicts of Interest' is a standing agenda item for Board meetings where members are asked to declare any interests relating to items on the Board agenda. No conflicts were declared by any member at any Board meeting during 2016–17.

Minutes of Board meetings incorporating progress on action points are made available on the DfC intranet and DfC website.

Evaluation of Board effectiveness was undertaken following the end of 2016–17 in accordance with the Corporate Governance Code and the Board's Operating Framework. Areas assessed covered Performance Management; Control and Risk; and Information. Further improvements to enhance the Board's focus on strategic issues and ALB performance are planned for 2017–18.

5. Board Committee Reports

5.1 Departmental Audit and Risk Assurance Committee (DARAC)

DARAC business was conducted in accordance with the Terms of Reference agreed with the Board and the HM Treasury Audit and Risk Assurance Committee Handbook. In addition to its quarterly meetings the chair convenes Audit Focus Sessions whereby Committee members are provided with more in-depth presentations on selected topics in order to enhance the level of assurance provided to the Board and Accounting Officer. A focus session on 'Management of Cyber Threats' was held in March 2017 and a session on 'Sponsorship of the NI Housing Executive' was held in June 2017. Further sessions are planned in respect of DfC Databases/systems and Welfare Reform mitigations. Oral Briefings are also held with individual Deputy Secretaries to discuss/understand the risks and issues in their areas.

The DARAC chair provides a report to the Board following each DARAC meeting. The report covers the Head of Governance Risk and Assurance report along with the Quarterly DARAC report on Fraud and Raising Concerns. Each report provides the chair's assessment of assurances available to meet the Board and Accounting Officer's assurance needs.

As well as quarterly reports the DARAC chair also provides an Annual Report to the Board summarising the schedule of work undertaken during the year and providing assurance in respect of risk management, control and governance in the Department.

DARAC completed an Audit Committee Self-Assessment Checklist at the end of 2016–17 in line with recommended best practice. The assessment confirmed DARAC’s compliance with good practice and the strength of the DfC committee arrangements. One area highlighted from the self-assessment exercise was the centralisation of the Internal Audit function for the NICS from 2017–18. DARAC will keep this change under review to ensure continued effectiveness of audit reviews and consultancy work under the centralised arrangements.

5.2 Departmental Information Assurance Committee

Key issues considered by DIAC included Cyber Security. Work is underway in conjunction with the Department for Work and Pensions to prepare for cyber risks associated with the planned introduction of new online benefit services.

In relation to data security, departmental guidance is in place to ensure that all information used for operational and financial reporting purposes is handled appropriately. Where information is used by third parties or other parts of government, the Department takes action to ensure that appropriate steps are taken to hold all data securely.

The Department places considerable emphasis on protective security. All major security incidents are fully investigated to see if lessons can be learned and controls improved. During the last financial year there was one major incident where Royal Mail lost a set of duplicate GP notes being sent back to a Doctors surgery via their signed for delivery service.

6. Risk Management Arrangements

6.1 Overview

DfC’s Risk Management Framework forms part of the Department’s corporate governance system and facilitates compliance with Corporate Governance Code. The framework outlines the Department’s approach to risk management and sets out key roles/responsibilities, risk management processes and reporting procedures.

The framework assists the Department with the identification and management of issues which may hinder the achievement of objectives. It provides a systematic approach that supports improved decision-making, accountability and performance as well as fostering an environment of ‘no surprises’. The risk management process is integrated with normal management processes and informs the annual business planning cycle linking risk management and internal control with the Department’s ability to fulfil its business objectives.

The Board has agreed its risk appetite which is reflected in risk management tools that are used within the Department. This allows risk owners to establish controls and manage risks in line with Board expectations. The Department maintains risk registers at branch, divisional and corporate level and adopts an escalation methodology informed by the significance of the risk.

6.2 Corporate Risks

The Departmental Management Board agrees the risks to be included in the Department’s Corporate Risk Register and assigns ownership for each risk. Six risks were initially

identified relating to restructuring, the 2016–17 budget, ALBs, skills and data. Following further review a total of nine corporate risks were identified and remained on the Corporate Risk Register for the remainder of the year. The nine corporate risks are summarised below:

- Inadequate management of increasing demands and the impact on the Senior Management Team;
- Failure to establish clear priorities for resource allocation;
- Failure to exercise good sponsorship and governance arrangements over ALBs;
- Not having the right people in the right place at the right time;
- Loss or unauthorised disclosure of information;
- Cyber attack resulting in failure of business systems and/or loss of data;
- Significant uncertainties impacting on the reform agenda;
- Serious injury to staff, visitors, and/or service users to DfC facilities or sites as a result of health and safety failures or breaches; and
- Failure to deliver Welfare Reform and Executive agreed supplementary payments due to insufficient staff resources.

The Corporate Risk Register was considered at each Board meeting and assessment made in respect of new risks to be captured. Two risks were escalated to the Corporate Risk Register from the Community Regeneration & Housing Group in March 2017. These risks related to the Social Housing Reform Programme and NIHE Investment in Stock.

The Board agreed that the risks as articulated had materialised due to the funding situation and that risks in respect of funding for social housing would be identified and assessed as part of the Board’s planning for 2017–18.

6.3 Assurance Framework

A key element of the Department’s risk management process is the provision of quarterly Assurance Statements by Deputy Secretaries on their risk management processes and internal control arrangements. Deputy Secretaries use their Assurance Statements to identify any exceptions/material concerns within their Groups or the ALBs for which they are responsible. There are sponsor teams across the Department responsible for sponsor arrangements with ALBs. These arrangements together with the ALB Statement of Assurance process inform and support the Deputy Secretary Assurance Statements. Overall, these arrangements form part of the Department’s integrated assurance process which informs the work of the Department’s Governance Unit and supports the reporting process for DARAC.

The Head of Internal Audit (HIA) provides an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Department’s framework of governance, risk management and control. For 2016–17, the HIA provided an overall satisfactory opinion on the Department’s arrangements.

DARAC is updated on progress against the internal audit plan and an audit database is used to monitor the implementation of outstanding internal audit recommendations where a limited or unacceptable opinion has been reported. Details of limited opinion reports are included under Significant Issues.

The HIA provides an overall opinion based on work undertaken during the year. The HIA opinion for 2016–17 is **‘Satisfactory’**.

DARAC is also updated on the Department’s arrangements for dealing with fraud and whistleblowing. Cases under enquiry or investigation are reported to DARAC on a quarterly basis. The Department’s Fraud Policy details responsibilities regarding the prevention of fraud, bribery or serious irregularity within the Department and its ALBs. The procedures to be followed in the event of any fraud being detected or suspected are detailed in the supporting Departmental Fraud Response Plan.

During 2016–17 44 incidents of suspected fraud were received relating to both the Department and its ALBs. In addition 13 cases of suspected fraud were transferred to the Department from the former Department for Social Development. Of the cases investigated and closed during the year there were 18 cases of actual fraud, 7 cases where fraud was attempted but prevented due to the operation of internal controls and 29 cases where no evidence of fraud was found. Investigations into 3 cases were ongoing at the year end.

The Department’s Raising Concerns (Whistleblowing) guidance and procedures explain how staff can raise concerns about potential wrongdoing and how anyone who is not a member of staff can raise concerns about the proper conduct of public business by the Department or its sponsored bodies. During 2016–17 the Department received 32 concerns, 20 of which related to its ALBs.

In addition to assurances received from my Deputy Secretaries and HIA I receive an annual and mid-year inter-departmental report from the DoF Accounting Officer on all services provided by DoF to other Departments. The DoF Accounting Officer has advised me that his HIA has provided a satisfactory audit opinion on shared services overall.

The DoF Accounting Officer also provides an annual Assurance Statement in respect of the administration of housing benefit rates rebates for owner occupiers. Assurance has been provided for 2016–17 on controls in place to ensure that the administration of housing benefit rates rebates for owner occupiers is efficient and effective.

6.4 Significant Issues

Significant issues highlighted in 2015–16 Governance Statements relevant to the functions that transferred to DfC have been managed by the new Department. A summary of the issues in 2015–16 Governance Statements are set out below.

Department for Social Development

- Welfare Reform
- Accuracy of Child Maintenance Assessments
- Social Housing Reform
- Regulation and Inspection of Housing Associations
- Office of National Statistics – Reclassification of Housing Associations
- Peace Bridge in Londonderry
- Reform of Local Government
- Belfast Streets Ahead – Phase 3

- Gambling and Liquor Licensing legislation
- Lineside Urban Development Grant
- Public Accounts Committee Hearing on Land Disposals
- Inspection of the NIHE landlord function
- NIHE oversight
- Housing Benefit Fraud and Error
- Syrian Vulnerable Persons Relocation Scheme
- Equality Scheme – Housing Strategy
- Northern Ireland Central Investment Fund for Charities – perceived conflict of issue

Social Security Agency

- Benefit Fraud and Error
- National Fraud Initiative / Real Time Information initiatives
- Error in Social Fund payments

Department of Culture, Arts and Leisure

- Sponsor control of North / South bodies
- Approval of Business Plans for North / South bodies
- Armagh Observatory and Planetarium – Governance Issues and Potential Fraud
- Sport NI – Governance Issues
- Sport NI – Subvention for Tollymore National Outdoor Centre
- Indicative budgets for ALBs
- Grant Funding to the Voluntary and Community Sector
- Libraries NI Valuation of Heritage Assets
- Northern Ireland Events Company

- Casement Park – Emergency Exiting Arrangements
- Data security issue in relation to the Liofa website
- Public Records Management – Limited Internal Audit opinion
- Ministerial Advisory Group for the Ulster Scots Academy – Limited Internal Audit opinion

Department for Employment and Learning (Employment Service)

- Retrospective Approval for Work Connect funding
- Approval of Employment Service programmes / projects
- Ulster Supported Employment Limited – Pension Deficit
- Limited Internal Audit opinion on the Steps 2 Success Programme

The DfC Head of Governance provides a quarterly Risk & Assurance Report to DARAC. The report summarises key risks and issues across the Department along with exceptions/material concerns identified through the Department's integrated assurance process. The assurance process facilitates the capture of exceptions/material concerns within the Department and its ALBs and encompasses issues highlighted in 2015–16 Governance Statements. A separate update on issues included in 2015–16 Governance Statements was also provided to DARAC throughout the year.

A number of issues highlighted in 2015–16 Governance Statements remain significant for DfC and details on these are included in

the Governance Statement in the 2016–17 DfC Annual Report and Accounts. The most significant issues for the NI Social Fund during 2016–17 are detailed below.

2017–18 Budget Position

The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. An Executive was not formed following the election within the period specified in the legislation. As a consequence, a Budget Act is not yet in place for 2017–18. In the absence of a budget for 2017–18 determined by an Executive, Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 provide for the Permanent Secretary of the Department of Finance to issue cash to departments from the NI Consolidated Fund. These powers are an interim measure designed to ensure that services can be maintained until such times as a budget is agreed and a Budget Act passed.

Fraud and Error in Benefit Expenditure

There is inherent risk of fraud/error associated with the payment of benefits. The estimated level of fraud/error has resulted in qualification of the regulatory audit opinion in previous years and is highlighted by the NIAO as the most significant risk in terms of material misstatement in the Department's financial statements. The NI Social Fund White Paper accounts have also been qualified over the years due to the estimated level of official error in Social Fund expenditure. The level of official error has however reduced significantly and if the reduction is maintained the qualification may be removed.

A wide range of activities are in place to mitigate against the risk of fraud and error within benefits systems. A Fraud and Error Reduction Board is in place to set strategic direction, evaluate operational responses and provide performance assurance to the Departmental Management Board. Case interventions, customer compliance interviews, and criminal investigations are all part of the Department's strategy to reduce fraud within the benefit system.

Activities undertaken to date by NIHE to address the risk of fraud and error in Housing Benefit are set out in a separate Housing Benefit Fraud and Error Strategy. Looking ahead, responsibility for the levels of fraud/error within housing benefit transferred to the Department with effect from April 2017. Work is well underway to develop and refine operational processes/structures in order that housing benefit fraud/error activity is fully integrated within the Department's counter fraud and error operation. This work is planned for completion during 2017–18 – in tandem with the introduction of Universal Credit.

Activities undertaken by DoF to address the risk of fraud and error in Housing Benefit Rates Rebate are reported to DfC and assurance provided by the DoF Accounting Officer. The Department's SAU monitors fraud and error levels in Housing Benefit Rates Rebate which is also reported to the DARAC.

Welfare Reform

The NIAO highlighted the significant challenges the Department faces in implementing Welfare Reform with local flexibilities. The programme of Welfare Reform changes and specifically the introduction of Universal Credit represents

the most substantial and widespread change to the welfare system in the last 70 years. The working group led by Professor Evason also provided the Executive with recommendations on how best to provide protection for the most vulnerable in Northern Ireland within the available funding. The Executive subsequently agreed to allocate a total of £501million over four years to 'top-up' the United Kingdom welfare arrangements in Northern Ireland with a review in 2018–19.

A range of welfare reforms have gone live in 2016–17 including the Benefit Cap, Personal Independence Payment and Discretionary Support. Universal Credit went live in Northern Ireland in September 2017.

Limited Opinion Audit Reports

During 2016–17 an NICS wide assurance review of the management of IT security and information risk was performed and a limited opinion was provided. The review considered the governance structures, processes, roles and responsibilities which underpin the Information Assurance Framework. While a number of instances of good practice were identified, the review highlighted significant issues that impacted systemically across all Departments.

6.5 Significant Internal Control Issues

For the 2015–16 financial year the NI Comptroller and Auditor General placed a qualified audit opinion on the regularity of Social Fund expenditure. This was due to the estimated level of error in Social Fund payments (except for Winter Fuel Payments and Cold Weather Payments).

Winter Fuel Payments and Cold Weather Payments are not included within the Department's official error annual measurement exercise as the nature and administration of these payments means that the possibility and the level of official error is considered to be insignificant. It was on this basis that the NI Audit Office excluded these payments from its regularity qualification.

During 2015, the Agency amended its approach to the monitoring of official error in Social Fund loans and payments and this approach was maintained for the 2016 year. Social Fund official error for Budgeting Loans, Community Care Grants and Crisis Loans was measured as part of the Agency's 2016 Financial Accuracy exercise. Official error for Social Fund Funeral Loans and Sure Start Maternity Grants is based on 2013 results. This does not affect the statistical validity of the Social Fund result as the remaining elements are still measured to a 95% confidence level.

For 2016 total estimated overpayments for Social Fund expenditure were £0.320m (0.2% of total Social Fund expenditure or 0.4% of 'relevant' Social Fund expenditure). The 2015 year total estimated overpayments for Social Fund were £0.432m (0.3% of total Social Fund expenditure or 0.5% of 'relevant' Social Fund expenditure). ('Relevant' Social Fund expenditure is the total Social Fund expenditure less expenditure relating to Winter Fuel and Cold Weather Payments. Winter Fuel and Cold Weather Payments do not form part of the Department's official error exercise).

For 2016 total estimated underpayments were £0.182m (0.1% of total Social Fund expenditure or 0.2% of relevant Social Fund expenditure). In 2015 total estimated underpayments were £0.350m of underpayments (0.3% of total Social Fund expenditure or 0.4% of relevant Social Fund expenditure).

The continuing improvements in the level of Social Fund Official Error has resulted in the removal of the audit qualification for the 2016–17 financial year and this is a considerable achievement for the Department. The DfC will continue to target its error reduction funding at the areas of greatest financial risk and a number of specific initiatives are in place to provide added support and checking within Social Fund decision making; for example a Social Fund Accuracy Improvement Plan. In addition a network Social Fund Accuracy Forum was established to ensure consistency and compliance with agreed processes and to promote best practice.

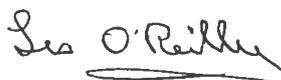
DfC does not measure customer fraud or customer error in Social Fund expenditure. The measurement of benefit fraud and error is expensive and complex and it is important to assess and decide which benefits should be given priority for review and that account is taken of the relative value/risk profile of each benefit. A large proportion of Social Fund payments are made up of loans that

are normally paid back to the DfC and, in some cases, Social Fund payments are made primarily because the recipient receives other social security benefits that are subject to regular review. Therefore, because of the nature of Social Fund administration and payments, the expenditure is considered to be less vulnerable to customer fraud and error.

In 2016–17, the DfC Internal Audit completed in-year reviews for all three Social Fund areas, Social Fund North region, Social Fund Belfast region and Social Fund South. All three areas received a satisfactory audit opinion.

7. Conclusion

I am satisfied that DfC has effective governance arrangements in place that I can rely on as Accounting Officer to provide assurance that the public funds and other resources for which I am accountable are deployed effectively. Where significant issues have arisen I am satisfied that appropriate action is being taken to address the issues concerned.



Leo O'Reilly
Accounting Officer

Date: 25 June 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Social Fund for the year ended 31 March 2017 under the Social Security Administration (Northern Ireland) Act 1992. The financial statements comprise: the Receipts and Payments Account, Statement of Balances and the related notes. These financial statements have been prepared under the accounting policies set out within them.

In my opinion the financial statements:

- properly presents the receipts and payments of the Social Fund for the year then ended and the balances as held at 31 March 2017; and
- have been properly prepared in accordance with the Social Security Administration (Northern Ireland) Act 1992 and Department of Finance directions issued thereunder.

Opinion on regularity

The Department for Communities estimated that erroneous calculations in certain Social Fund benefit awards resulted in errors of £0.5 million consisting of overpayments of £0.3 million (0.4 per cent of relevant payments) and underpayments of £0.2 million (0.2 per cent of relevant payments). Social Fund overpayments made by the Department for Communities, due to error, are irregular as the payments have not been applied in accordance with the purposes intended by the Northern Ireland Assembly. In addition the Department for Communities was

required to calculate Social Fund payments in accordance with primary legislation which specifies the entitlement criteria and the method used to calculate the amount to be paid. Therefore where the Department for Communities made Social Fund payments at rates either more or less than those specified in legislation then such transactions do not conform to the authorities which govern them.

However, as the level of error has reduced to a level significantly below materiality, in my opinion, except for the level of error in Social Fund payments as referred to above, in all material respects the receipts and payments recorded in the accounts have been applied to the purposes intended by the Assembly and the financial transactions recorded in the accounts conform to the authorities which govern them.

As there have been consistent reductions in the level of error in benefit expenditure reported by Department since 2013–14, I have not qualified the audit opinion on the reported levels of estimated errors in Social Fund payments in 2016–17.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff

and I are independent of the Department in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements and my audit certificate. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Foreword for the financial year for which the accounts are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they properly present the receipts and payments during the year.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Social Security Administration (Northern Ireland) Act 1992.

I am required to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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 are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Report

My report is included on page 41 of the Social Fund accounts.



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

29 June 2018

Social Fund Receipts and Payments Account for the year ended 31 March 2017

Receipts	2016–2017 £000	2015–16 £000
Receipts from DfC Vote RfR A	57,434	56,388
Receipts from DfC Consolidated Fund	5,297	11,896
Repayments of Funeral Loans	146	136
Repayments of Budgeting Loans	55,534	54,367
Repayments of Crisis Loans	11,807	13,427
Refund of Social Fund overpayments	12	18
Total Receipts	130,230	136,232
Less		
Payments		
Sure Start Maternity Grants	1,373	1,452
Funeral Loans	2,274	2,313
Cold Weather Payments	0	0
Budgeting Loans	56,413	54,119
Crisis Loans	6,622	11,572
Community Care Grants	10,482	13,753
Winter Fuel Payments	52,853	53,334
Total Payments	130,017	136,543
Excess of receipts over payments / (Payments over receipts)	213	(311)

Statement of Balances

	2016-2017 £000	2015-16 £000
Opening Balance	1,460	1,771
Plus Excess of receipts over payments / Less Excess of Payments over receipts)	213	(311)
Closing Balance	1,673	1,460

The notes on pages 29 to 36 form part of the account.



Leo O'Reilly
Accounting Officer

Date: 25 June 2018

Notes to the Account

1. Accounting Policies

The account is prepared in accordance with Section 146(4) of the Social Security Administration (Northern Ireland) Act 1992.

It has been prepared on a cash basis with no provision for accruals and in a form directed by the Department of Finance, shown as an appendix to this account.

2. Statement of Loans

	Budgeting Loans £000		Crisis Loans £000		Total £000	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Opening Amount	64,803	65,256	26,354	28,336	91,157	93,592
Amount loaned	56,413	54,119	6,622	11,572	63,035	65,691
Transferred to overpayments	(1)	(2)	(1)	(1)	(2)	(3)
Amount recovered	(55,534)	(54,367)	(11,807)	(13,427)	(67,341)	(67,794)
Amounts written off	(260)	(203)	(153)	(126)	(413)	(329)
Closing Amount	65,421	64,803	21,015	26,354	86,436	91,157

The amount for loans outstanding at 31 March 2017 shown in this note is based on cumulative loans and repayments and

adjusted for amounts written-off and amounts transferred to overpayments.

3. Age of Loans Analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2017, loans of some £1,200m have been paid. Over this period, £1,108m (92%) of these loans have been recovered and £5.742m (0.5%) written-off or adjusted, leaving a balance of some £86m outstanding at 31 March 2017. Loans are normally recovered by deduction from social security benefits and, where this is not possible, by cash repayments. Where a customer has more than one loan, the earliest loan is normally recovered first, with repayment of later loans following automatically. Loans can therefore take several years to recover fully. This may be due to the customer losing entitlement to benefit and recovery being deferred until a further claim is made. In addition recovery of loans is determined by legislation and can be restricted to avoid causing hardship. The Department for Communities (DfC) has a statutory obligation to issue Social Fund loans and seek

repayments in line with legislation. From 28 November 2016 Crisis Loans were replaced with the Discretionary Support Scheme.

The loan balances shown above represent the total (gross) amounts outstanding. These balances for Budgeting Loans and Crisis Loans may not reflect the amounts that are actually recovered. The estimated net recoverable amount for Social Fund loan balances is stated in the DfC annual report and accounts. The net amount outstanding per the Departmental accounts at 31 March 2017 for Budgeting Loans was £56.912m and Crisis Loans was £19.893m; total net recoverable loan balance was £76.805m (2015–16: £82.628m). The net totals reflect the 2016–17 fair value adjustments as required by the relevant financial accounting standards and guidance.

An analysis of the age and number of loans outstanding at 31 March 2017 is summarised below.

Category	Budgeting Loans £000	Crisis Loans £000	2016–17 Total £000	2015–16 Total £000
5 years and more 86,736 cases (2015–16: 79,432 cases)	7,590	5,108	12,698	11,518
Between 1 year and less than 5 years. 190,021 cases (2015–16: 207,371 cases)	20,015	11,198	31,213	33,673
Less than 1 year. 148,510 cases (2015–16: 199,176 cases)	37,816	4,709	42,525	45,966
Total	65,421	21,015	86,436	91,157

4. Statement of Funeral Loans Outstanding

	2016–17 £000	2015–16 £000
Opening amount	4,639	5,038
Amount loaned	2,274	2,313
Amount recovered	(146)	(136)
Amount written off	(2,413)	(2,576)
Closing Amount	4,354	4,639

The amount for Funeral Loans outstanding at 31 March 2017 shown in this note is based on cumulative loans and repayments disclosed in the receipts and payments account and adjusted for amounts written off.

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

The loan balance shown above represents the total (gross) amount outstanding. The balance for Funeral Loans may not reflect the amount

that is actually recovered. The estimated net recoverable amount for Social Fund loan balances is stated in the DfC annual report and accounts. The net amount outstanding at 31 March 2017 for Funeral Loans was £0.105m (2015–16: £0.167m). The net total reflects the 2016–17 fair value adjustments as required by the relevant financial accounting standards and guidance.

An analysis of the age and number of Funeral Loans outstanding is summarised below.

Category	2016–17 £000	2015–16 £000
5 years and more. 4 cases (2015–16: 3 cases)	3	3
Between 1 year and less than 5 years. 2,011 cases (2015–16: 2,218 cases)	2,126	2,353
Less than 1 year. 2,081 cases (2015–16: 2,115 cases)	2,225	2,283
Total	4,354	4,639

5. Losses

	2016-17 £000	2015-16 £000
Funeral Loans: Claims for recoverable Funeral Loans written off mainly due to insufficient estates. 2,292 cases (2015-16: 2,503 cases)	2,413	2,576
Budget Loans: Written off 708 cases (2015-16: 823 cases)	260	203
Crisis Loans: Written off 1,532 cases (2015-16: 1,278 cases)	153	126
Total	2,826	2,905

6. Statement of Overpayments

	Regulated £000	Discretionary £000	Total £000
Amount outstanding at 01 April 2016	9	52	61
New overpayments in year 2016-17	0	4	4
Amount recovered in year 2016-17	0	(12)	(12)
Amount written off / Adjusted** in year 2016-17	(8)	5	(3)
Amount outstanding at 31 March 2017	1	49	50

**Adjustment made to correct misclassification between regulated and discretionary

The amount for overpayments outstanding at 31 March 2017 shown in this note is based on the cumulative overpayments which have been identified less the repayments disclosed in the receipts and payments account.

In line with DfC policy and procedures for the referral of benefit overpayment debt Social Fund overpayments are referred to the DfC Debt Management team for recovery action. The Social Fund overpayment debt is also incorporated within the benefit overpayment receivable amounts in the DfC annual report and accounts.

7. Standing Balances

The closing balance within the Fund will vary from year to year but the intention is to maintain a standing balance of £1.3m. At 31 March 2017 this balance was £1.67m. In 2016–17 the Agency continued to monitor and regulate the Social Fund standing balance to ensure it was maintained within acceptable tolerances.

A monthly draft receipts and payments account is produced to inform the funding requirements for Social Fund on a regular basis. The Department for Communities will continue the funding, monitoring and reporting processes throughout the next financial year to ensure that Social Fund standing balance is maintained within an acceptable level.

8. Payment Accuracy – Social Fund

Background

Social Security legislation lays out the basis on which the Department for Communities (DfC) calculates and pays benefits. However, the complexity of the benefit systems and inherent risks associated with the award and payment of benefits can result in inaccurate payments being made in a proportion of the awards made. The Department has a robust security strategy in place to tackle incorrectness and measure results. The focus is on the prevention, detection and correction of fraud and error, with investigation and prosecution where appropriate. Further information on the range and detail of the Department's counter fraud and error activities is included in the DfC Annual Report and Accounts.

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.

Social Fund official error for Budgeting Loans (BL), Community Care Grants (CCG) and Crisis Loans (CL) was measured as part of the Agency's 2016 Financial Accuracy exercise. Official error for Social Fund Funeral Loans (FL) and Sure Start Maternity Grants (SSMG) is based on updated 2013 results. This does not affect the statistical validity of the Social Fund result as the remaining elements are still measured to a 95% confidence level.

Confidence Intervals

Confidence intervals around the statistical estimates are provided in Tables 1 and 2. The Department reviews a sample of claims; this is a sampling approach as it would be impractical to assess every case and therefore requires a level of statistical certainty to underpin the estimates. This level of certainty is quantified with confidence intervals or tolerances around which the central estimates are produced. These give the range in which the Department has a confidence level of 95%. This means the Department can be 95% sure that the true value lies for each of the estimates presented. Tables 1 and 2 show the Monetary Value of Error (MVE) and the MVE as a percentage of expenditure. The associated 'range' or 'lower' and 'upper' confidence intervals are also provided. The figures also account for additional uncertainty that has been introduced into the overall estimates by the introduction of data from previous years.

The tables below set out an estimate of overpayments and underpayments due to Official Error in Social Fund expenditure for the calendar year 2016. The Social Fund expenditure amounts represent the 'relative expenditure' for the year January – December 2016. (These figures are based on the Department's Annual Report and Accounts which are prepared in accordance with the

appropriate Government Financial Reporting Manual, FReM, issued by the Department of Finance, DoF). The expenditure amounts in Tables 1 and 2 do not include expenditure for Cold Weather Payments and Winter Fuel Payments.

Estimates for Official Error for 2015 are also shown for comparative purposes.

Table 1: Estimates of Benefit overpayments due to Official Error

Year	Expenditure £	Monetary value of Official Error £	Lower Confidence Level £	Upper Confidence Level £	Monetary value of Error as a % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Review
2016 (Total SF)	80,863,227	319,731	157,948	550,413	0.4%	0.2%	0.7%	BL/CCG/CL 2016* FP/SSMG 2013 Updated
2015 (Total SF)	84,633,632	432,001	153,034	669,846	0.5%	0.2%	0.8%	BL/CCG/CL 2015** FP/SSMG 2013 Updated

Table 2: Estimates of Benefit underpayments due to Official Error

Year	Expenditure £	Monetary value of Official Error £	Lower Confidence Level £	Upper Confidence Level £	Monetary value of Error as a % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Review
2016 (Total SF)	80,863,227	182,254	8,685	553,752	0.2%	0%	0.7%	BL/CCG/CL 2016* FP/SSMG 2013 Updated
2015 (Total SF)	84,633,632	349,712	35,068	962,684	0.4%	0.0%	1.1%	BL/CCG/CL 2015** FP/SSMG 2013 Updated

Notes Tables 1 & 2:

*The period of Financial Accuracy Review for 2016 was Dec 15–Nov 16.

**The period of Financial Accuracy Review for 2015 was Dec 14–Nov 15.

Full details of the estimated fraud and error results for the Department for Communities are included in the 2016–17 Departmental Annual Report and Accounts, (Note 23, Payment Accuracy).

Social Fund Accounts – Official Error

The DfC Social Fund White Paper accounts for the financial year April 2016 to March 2017 are prepared on a cash basis with no provision for accruals. Expenditure and receipts for the financial year, and the Statement of Balances are included in the Receipts and Payment Account. The account includes expenditure for Cold Weather Payments and Winter Fuel Payments.

The estimated level of Official Error overpayments for 2016 as a proportion of the total 2016–17 Social Fund expenditure is detailed in Table 3 below. Estimates for Official Error overpayments for 2015–16 are also shown in Table 3 for comparative purposes.

The estimated level of Official Error underpayments for 2016 as a proportion of the 2016–17 Social Fund expenditure is detailed in Table 4 below. Estimates for Official Error underpayments for 2015–16 are also shown in Table 4 for comparative purposes.

Table 3: Estimated Levels of Official Error Overpayments in Social Fund expenditure

Year	Expenditure £000	Monetary value of Official Error £000	Monetary value of error as a % of expenditure
2016–17	130,017	320	0.2%
2015–16	136,543	432	0.3%

Table 4: Estimated Levels of Official Error Underpayments in Social Fund expenditure

Year	Expenditure £000	Monetary value of Official Error £000	Monetary value of error as a % of expenditure
2016–17	130,017	182	0.1%
2015–16	136,543	350	0.3%



Appendices

Appendix 1

Accounts direction given by the Department of Finance in accordance with Section 146(4) of the Social Security Administration (Northern Ireland) Act 1992

1. This direction applies to the **Department for Communities' Social Fund Account**.
2. For the financial year ended 31 March 2017 and subsequent years, the Department for Communities shall prepare a Social Fund Account comprising a receipts and payments account, a statement of balances and such notes as may be necessary for the purposes referred to in paragraph 4 below, including as a minimum the notes listed in paragraph 5 below.
3. The Social Fund Account shall include a Foreword by the Accounting Officer, a Statement of Accounting Officer's Responsibilities and a Governance Statement. The contents of the Foreword are detailed at Appendix 1 to this direction. The Foreword, the Governance Statement and the statement of balances should be signed and dated by the Accounting Officer.
4. The Social Fund Account shall be in the format shown in Appendix 2 to this direction and properly present the receipts and payments and opening and closing cash balances.
5. The notes shall include:
 - (a) a statement of loans including an age analysis of loans outstanding;
 - (b) a statement of losses;
 - (c) the policy on maintaining a standing balance; and
 - (d) any additional notes as may be necessary for the purposes referred to in paragraph 4 above.
6. The accounts direction shall be reproduced as an annex to the accounts.

Alison Caldwell

Alison Caldwell
Treasury Officer of Accounts

Foreword

1. The foreword shall state that the account has been prepared in accordance with a direction issued by DoF in pursuance of Section 146 (4) of the Social Security Administration (Northern Ireland) Act 1992. The foreword will also include details of the following:
 - (a) a brief history of the Social Fund and its statutory background;
 - (b) categories of payment;
 - (c) financial basis of the fund;
 - (d) the publication of the Department for Communities' Annual Report on the Social Fund;
 - (e) audit arrangements.

Appendix 2

Receipts and payments account for the year ended 31 March 20XY

RECEIPTS	20XX / XY £'000	20XW / XX £'000
Receipts from DfC Vote RfR A		
Repayments of funeral payments		
Repayments of budgeting loans		
Repayments of crisis loans		
Other receipts		
	_____	_____
total	_____	_____
Less		
PAYMENTS		
Maternity expenses		
Funeral expenses		
Cold weather payments		
Budgeting loans		
Crisis loans		
Community care grants		
Winter Fuel Payments		
	_____	_____
Excess of receipts over payments / (Excess of payments over receipts)	total _____	_____

Statement of Balances

Opening Balance at 1 April 20XX		
Plus		
Excess of receipts over payments		
(Less		
Excess of payments over receipts)		
	_____	_____
Closing Balance 31 March 20XY	_____	_____

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

Accounting Officer:

Date:

Appendix 3

Report by the Comptroller and Auditor General

Introduction

1. The Department for Communities (DfC) has prepared the Social Fund Account in accordance with Section 146(4) of the Social Security Administration (Northern Ireland) Act 1992 and the Department of Finance (DoF) accounts direction. I am required under the same legislation to examine and certify the Social Fund account and to lay copies of that account, together with my report, before the Northern Ireland Assembly.
2. The Social Fund Account comprises Social Fund receipts and payments, a statement of balances and Social Fund loans outstanding at the year end. In 2016–17 the Department made Social Fund benefit payments totalling £130.0 million (£136.5 million in 2015–16). Total gross Social Fund loans outstanding at 31 March 2017 amounted to £90.8 million (£95.8 million at 31 March 2016).
3. My audit opinion has been qualified since 2013–14 because of significant levels of error in total relevant payments¹. The estimated levels of error in 2016–17 have fallen significantly and I have concluded that the level of error is no longer material to the Account. As a result, I have decided not to qualify my audit opinion.

Basis for the estimated level of error

4. The Department, through its Standards Assurance Unit (SAU), regularly measured and reported, on a calendar year basis, on the estimated level of official error in total relevant payments. In order to do this:
 - The Department's statisticians provide samples of social fund Budgeting Loans, Community Care Grants and Crisis Loans on a monthly basis. SAU annually subject those payments to detailed examination for evidence of under or over-payments due to errors made by DfC staff; and
 - Results of official error in Funeral Loans and Sure Start Maternity Grants are estimated using the results of a 2013 examination.
5. The results from the annual examination of Loans and Grants outlined in paragraph 4 are combined with proxies for Funeral Loans and Sure Start Maternity Grants to estimate the total value of error within Social Fund Account for the year, with associated ranges based on 95% confidence levels. The midpoint of these ranges are used as an estimate of the monetary value of the error.

¹ Total relevant payments comprises all social fund expenditure excluding Winter Fuel payments and Cold Weather payments; these payments are considered to be less susceptible to error.

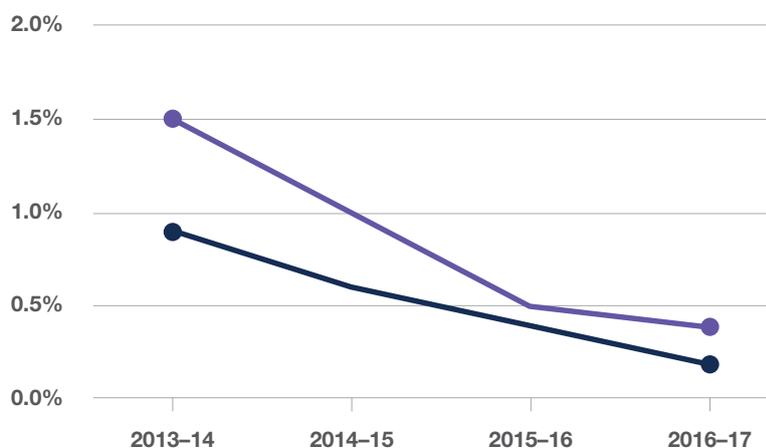
6. The Department presents the results of this exercise in a note to both the Social Fund account and the DfC Resource Accounts. Whilst estimates are by their nature subject to uncertainty because they are based on sample testing, these estimates do, however, represent the best measure of error that is available to me. I examined the work undertaken by the Department and am content that the results produced by the SAU are a reliable estimate of the total error in the benefit system.

Estimated levels of error in Social Fund total relevant payments

7. The results of the SAU examination show that from total relevant payments in 2016–17 of £77.2 million, the estimated benefit payments error of £0.5 million comprises:
- Overpayments due to official error of £0.3 million (0.4 per cent of total relevant payments); and
 - Underpayments due to official error of £0.2 million (0.2 per cent of total relevant payments).
8. There has been consistent reductions since 2013–14 in the level of error in benefit expenditure reported by the Social Fund. The trend is shown in **Figure 1** below.

Figure 1: Overpayments and underpayments

There have been consistent reductions in the value of overpayments and underpayments of benefits to recipients in the last four years.



Source: Social Fund Accounts 2013–14 to 2016–17

Conclusion

9. I have not qualified my audit opinion on the reported levels of estimated errors in Social Fund payments totalling £0.5 million as they are not material in the context of the Social Fund's total expenditure. I will continue to keep the estimated level of error in Social Fund payments under review and consider the implications for my audit opinion should this increase in the future.



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