

Social Insurance Fund

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of the Social Insurance Fund for the year ended 31 December 2008 on pages 1 to 10 under Section 9 of the Social Welfare (Consolidation) Act, 2005.

The financial statements, which have been prepared in accordance with the Act, comprise the Accounting Policies, the Income and Expenditure Account, Balance Sheet and the related notes.

Respective Responsibilities of the Department of Social and Family Affairs and the Comptroller and Auditor General

The Department is responsible for preparing the financial statements and for ensuring the regularity of transactions.

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

I report my opinion as to whether the financial statements are properly presented in accordance with the Act. I also report whether, in my opinion, proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations that attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

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

Emphasis of matter

Without qualifying my opinion, which is set out below, I draw attention to the fact that it was noted that control processes did not identify, in a timely manner, certain errors in transaction recording. In particular, the Department incorrectly applied year-end cut-off procedures in relation to encashments by An Post. As a result, the expenditure charged to the Fund was originally understated by approximately €12.3 million.

I have been assured by the Department that it has reviewed its control procedures and that appropriate enhanced control mechanisms have been put in place.

Opinion

In my opinion, the financial statements properly present the balance of the Fund at 31 December 2008 and the transactions for the year then ended.

In my opinion, proper books of account have been kept by the Department. The financial statements are in agreement with the books of account.



John Buckley
Comptroller and Auditor General
15 December 2009

SOCIAL INSURANCE FUND

FINANCIAL STATEMENTS

2008

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STATEMENT ON INTERNAL FINANCIAL CONTROL

Responsibility for System of Internal Financial Control

As Accounting Officer I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department. This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial control is a continuous process and the system and its effectiveness are kept under ongoing review.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows:

Financial Control Environment

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- there is an audit committee to advise me in discharging my responsibilities for the internal financial control system.

Administrative Controls and Management Reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that:

- there is an appropriate budgeting system with an annual budget which is kept under review by senior management
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts
- a risk management system operates within the Department
- there are systems aimed at ensuring the security of the ICT systems
- there are appropriate capital investment control guidelines and formal project management disciplines.

Internal Audit

I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

STATEMENT OF ACCOUNTING POLICIES

1. General

The Social Insurance Fund was established by the Social Welfare Act, 1952 (as amended).

The rates of social insurance benefits, redundancy payment entitlements and occupational injuries benefits are established by legislation.

The accounts have been prepared under the historical cost convention.

2. Funding Policy

The income of the Fund derives mainly from the Pay-Related Social Insurance (PRSI) contributions collected by the Revenue Commissioners from employers, employees and self-employed persons.

The Social Insurance Fund operates under the terms of the Social Welfare (Consolidation) Act, 2005. Under Section 9 of this Act, the Fund comprises a current account and an investment account. Sums payable out of the Fund are paid out of the current account. Moneys not required to meet current expenditure of the Fund are transferred to the investment account. Any shortfall in the current account in respect of liabilities is met from the investment account in the first instance, and otherwise by moneys provided by the Oireachtas.

3. Recognition of Receipts

The contribution and levy receipts figures reported represent the amount of PRSI collected by the Revenue Commissioners in the year. Other receipts are accounted for on a cash receipts basis.

4. Recognition of Payments

Payments are recognised on the basis of:

- cheques and payable orders issued during a year,
- personalised payable orders, postdrafts and vouchers cashed at Post Offices, and
- moneys issued by way of electronic fund transfer.

5. Premises and Depreciation

Premises are shown at historical cost. No provision has been made for depreciation.

6. Investments

The Minister for Finance manages the Investment Account of the Fund. The results of the investment activity are shown in the Investment Account which is appended to this Account.

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	€000	2008 €000	€000	2007 €000
Receipts					
PRSI Contributions					
Social Insurance	1	7,984,182		7,722,010	
Health Contribution	2	1,156,567		1,107,461	
National Training Fund Levy		<u>413,303</u>	9,554,052	<u>405,427</u>	9,234,898
Receipts from Investments			160,209		112,049
Other Receipts	3		<u>19</u>		<u>88</u>
			<u>9,714,280</u>		<u>9,347,035</u>
Payments					
Social Insurance				2,754,749	
State Pension (Contributory)		3,117,855		79,070	
State Pension (Transition)		92,089			
Widow's & Widower's (Contributory) Pension		1,299,039		1,204,979	
Deserted Wife's Benefit		104,618		100,710	
Maternity Benefit		315,878		257,896	
Health & Safety Benefit		576		503	
Adoptive Benefit		1,644		1,333	
Guardian's Payment (Contributory)		14,373		9,560	
Illness Benefit		852,305		755,077	
Invalidity Pension		685,717		618,133	
Carer's Benefit		33,666		26,900	
Occupational Injuries Benefits	4	112,011		104,349	
Bereavement Grant		17,851		16,673	
Widowed Parent Grant		5,543		3,862	
Jobseeker's Benefit		928,844		544,931	
Treatment Benefit	5	97,124		91,602	
Free Schemes	6	260,562		249,774	
Redundancy & Insolvency	7&8	<u>202,264</u>		<u>188,178</u>	
		8,141,959		7,008,279	
Administration Expenses	9	<u>257,780</u>	8,399,739	<u>242,711</u>	7,250,990
Health Contribution			1,159,000		1,113,000
National Training Fund Levy			<u>413,000</u>		<u>408,000</u>
			<u>9,971,739</u>		<u>8,771,990</u>
Excess of Payments over Receipts			(257,459)		575,045
Reduction in balances due to other bodies	12		<u>2,130</u>		<u>8,112</u>
(Deficit)/surplus for the year			<u>(255,329)</u>		<u>583,157</u>

Notes 1 - 16 form part of these Accounts.

BALANCE SHEET AS AT 31 DECEMBER 2008

	<u>Notes</u>	€000	<u>2008</u> €000	€000	<u>2007</u> €000
Fixed Assets					
Premises	13		1,477		1,477
Financial Assets					
Investment Account			3,320,028		3,642,195
Current Assets					
Bank balances		55,495		-	
Balances held by agents	14	103,089		8,941	
Contributions Receivable	15	<u>7,085</u>		<u>9,150</u>	
		165,649		18,091	
Current Liabilities					
Due to banks		-		12,013	
Balances due to agents	14	105,646		10,922	
Balances due to other bodies	12	1,078		3,208	
Sundry Creditors		<u>3,461</u>		<u>3,322</u>	
		110,185	55,464	29,465	(11,374)
Net Assets			<u>3,376,969</u>		<u>3,632,298</u>
Represented by					
Reserves at 1 January			3,632,298		3,049,141
(Deficit)/surplus for the year			(255,329)		583,157
Reserves at 31 December			<u>3,376,969</u>		<u>3,632,298</u>

Notes 1 - 16 form part of these Accounts.

NOTES TO THE ACCOUNTS

1. PRSI Contributions

PRSI contributions are apportioned between Social Insurance, Health Contribution and the National Training Fund Levy.

It is not possible to provide an accurate breakdown of PRSI contributions until the data for the year has been fully analysed. The full data for 2008 will not become available for analysis until mid-2010.

The contributions are apportioned on the basis of the most recently available information and are provisional.

The following breakdown of Social Insurance contributions between Employer, Employee and Self-Employed is also provisional.

	<u>2008</u> €000	<u>2007</u> €000
Employer Contributions	5,944,892	5,762,011
Employee Contributions	1,633,708	1,539,147
Self-Employed Contributions	<u>405,582</u>	<u>420,852</u>
	<u>7,984,182</u>	<u>7,722,010</u>

2. Health Contribution

The amounts shown in respect of the Health Contribution do not include sums collected under Schedule D Income Tax (self-employed) as these are remitted directly by the Revenue Commissioners to the Health Service Executive.

3. Other Receipts

	<u>2008</u> €000	<u>2007</u> €000
Rent	19	19
Receipts from UK in respect of Reciprocal Arrangement	-	69
	<u>19</u>	<u>88</u>

4. Occupational Injuries Benefits

	<u>2008</u> €000	<u>2007</u> €000
Injury Benefit	19,250	17,194
Disablement Benefit	84,443	79,283
Death Benefit	8,036	7,574
Medical Care	282	298
	<u>112,011</u>	<u>104,349</u>

5. Treatment Benefit

	<u>2008</u>	<u>2007</u>
	€000	€000
Dental Benefit	69,419	64,846
Optical Benefit	21,703	21,050
Medical & Surgical Appliances Benefits	6,002	5,706
	<u>97,124</u>	<u>91,602</u>

6. Free Schemes

	<u>2008</u>	<u>2007</u>
	€000	€000
Fuel Allowance	54,229	55,517
Smog Allowance	5,982	5,884
Free Electricity	92,772	87,912
Free Bottled Gas	15	16
Free Natural Gas	11,433	11,499
Free Television Licence	33,976	31,458
Free Telephone Rental	62,155	57,488
	<u>260,562</u>	<u>249,774</u>

7. Redundancy and Employers' Insolvency Schemes

The Redundancy and Employers' Insolvency Schemes are administered by the Department of Enterprise, Trade and Employment. Figures shown for these schemes are extracted from an annual account provided by the Accounting Officer of the Department of Enterprise, Trade and Employment.

	€000	<u>2008</u> €000	€000	<u>2007</u> €000
Redundancy - Payments	193,711		183,328	
- Recoveries	(949)	192,762	(658)	182,670
Insolvency - Payments	10,059		5,710	
- Recoveries	(934)	9,125	(924)	4,786
Employment Appeals Tribunal Expenses	383		725	
Miscellaneous Items	(6)	377	(3)	722
		<u>202,264</u>		<u>188,178</u>

8. Redundancy/Insolvency - Amounts Recoverable from Employers

Employers may obtain from the Fund a part rebate of statutory redundancy lump-sums paid by them.

Where employers default in making statutory redundancy lump-sum payments the full statutory entitlement may be paid to employees from the Fund. In addition, where employers become insolvent, certain other outstanding statutory entitlements (arrears of wages, holiday pay etc.) may be paid from the Fund. Amounts paid under these circumstances are recoverable from employers. Recoveries are offset against the scheme payments.

The cumulative position regarding amounts recoverable from employers was as follows:

	€000	€000	<u>2008</u> €000	<u>2007</u> €000
	Redundancy	Insolvency	Total	Total
Balance at 1 January	37,681	51,672	89,353	78,009
Payments resulting from employer default	14,063	10,059	24,122	12,926
Less: Amounts recovered	(949)	(934)	(1,883)	(1,582)
Less: Amounts Written Off -	(2,301)	(6,185)	(8,486)	-
Balance at 31 December	<u>48,494</u>	<u>54,612</u>	<u>103,106</u>	<u>89,353</u>

The recovery experience of recent years suggests that a significant part of the cumulative liabilities of defaulting employers may not be recovered.

9. Administration Expenses

	<u>2008</u>	<u>2007</u>
	€000	€000
Staff costs		
- Salaries	98,274	93,694
- Superannuation	24,000	21,000
- Travelling	2,034	2,011
Agency Costs		
- Collection of contributions	36,670	35,330
- Payments to An Post	21,856	24,662
- Payments to Department of Enterprise, Trade and Employment re the Redundancy and Employers' Insolvency Schemes	1,520	1,550
Postage and Telecommunications	8,613	7,893
Accommodation/Equipment/Supplies	33,427	30,301
Audit Fees	115	105
Other costs	31,271	26,165
	<u>257,780</u>	<u>242,711</u>

10. Overpayments

Amounts determined as having been overpaid are included in the charges to schemes and recoveries made are credited to schemes. The cumulative position on Fund overpayments was as follows:

	<u>2008</u>	<u>2007</u>
	€000	€000
Overpayments outstanding at 1 January	57,187	30,504
Migration of amounts previously written off	-	17,837
Adjustment for prior years ¹ -	460	-
Overpayments recorded in year	<u>18,114</u>	<u>17,488</u>
	75,761	65,829
Less:		
Amounts recovered in year	8,628	7,047
Amounts written off in year	<u>1,746</u>	<u>1,595</u>
Overpayments outstanding at 31 December	<u>65,387</u>	<u>57,187</u>

¹ Some overpayments recorded in 2007 were subsequently adjusted, resulting in a net increase of €459,823 in the recorded amount due

11. Ex-Gratia Payments

Ex-gratia payments amounting to €20,797 were made in 2008 (2007 - €97,670).

12. Balances due to Other Bodies

Balances due to other bodies represent the shortfall in amounts paid to the Health Service Executive in respect of the Health Contribution and to the Department of Enterprise, Trade and Employment in respect of the National Training Fund Levy.

The position regarding the balances was as follows:

	Health Contribution		National Training Fund Levy		Total	Total
	€000	<u>2008</u> €000	€000	<u>2008</u> €000	<u>2008</u> €000	<u>2007</u> €000
Balance at 1 January		2,765		443	3,208	11,320
Apportioned during the year	1,156,567		413,303			1,512,888
Paid in the year	<u>1,159,000</u>	<u>(2,433)</u>	<u>413,000</u>	<u>303</u>	<u>(2,130)</u>	<u>1,521,000</u>
Balance at 31 December		<u>332</u>		<u>746</u>	<u>1,078</u>	<u>3,208</u>

13. Premises

The ownership of Aras Mhic Dhiarmada, Store St., Dublin 1 (the headquarters of the Department of Social and Family Affairs), is vested in the Minister for Social and Family Affairs on behalf of the Fund. These premises include Busaras. The Fund receives an annual fixed rent from C.I.E. in respect of Busaras.

14. Agents' Balances

Agents' balances comprise either the shortfall in or the unexpended portion of moneys advanced from the Fund to the Department of Social and Family Affairs (Vote 38), An Post and the Department of Enterprise, Trade and Employment (DETE) to enable them to meet payments on behalf of the Fund.

Current Assets - Balances held by agents	<u>2008</u> €000	<u>2007</u> €000
An Post(i)	103,089	5,224
DETE	-	3,717
	<u>103,089</u>	<u>8,941</u>
Current Liabilities - Balances due to agents	<u>2008</u> €000	<u>2007</u> €000
VOTE 38 (ii)	93,878	10,922
DETE(iii)	11,768	-
	<u>105,646</u>	<u>10,922</u>

Note:

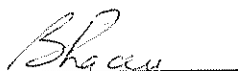
- (i) An Post accounts are pre-funded to meet the Department's expenditure liabilities as they fall due. The first payment liability for 2009 fell due on 2nd January 2009 and therefore this funding was required by the 31st December 2008.
- (ii) The balance represents the amount due to Vote 38 in respect of expenditure incurred by it and recoupable from the SIF. The increased balance resulted from a change in the method of payment whereby additional expenditure was routed through the Vote/SIF Suspense Account in 2008.
- (iii) Payments are made from SIF to DETE in respect of Redundancy & Insolvency on foot of monthly payment requests. During 2008 DETE under requested amounts due to them resulting in a balance due of €11.7 million at 31st December 2008.

15. Contributions Receivable

Contributions receivable mainly refer to the amounts of PRSI contributions collected by the Revenue Commissioners, but not transferred to the Fund in 2008.

16. Investment Account 2009

The Social Insurance Fund operates under the terms of the Social Welfare (Consolidation) Act, 2005. Moneys not required to meet the current expenditure of the Fund and are transferred to an Investment Account. The balance on this account at the end of 2008 and shown in the Fund balance sheet was €3.32 billion. Due to the continued excess in the value of Fund payments over Fund receipts the balance has decreased to €1.48 billion as at 31st October 2009.




Bernadette Lacey
Secretary General
Department of Social and Family Affairs

15th December 2009

SOCIAL INSURANCE FUND INVESTMENT ACCOUNT 2008

2007		2008
€		€
3,076,529,194	Balance at 1 January	3,642,195,421
9,218,616,893	Transferred from the Revenue Commissioners	9,542,633,383
<u>112,049,334</u>	Return on Investments	<u>160,209,357</u>
12,407,195,421		13,345,038,161
	<i>Deduct:-</i>	
8,765,000,000	Paid to Minister for Social & Family Affairs	10,025,000,000
<u>0</u>	C&AG Audit Fee	<u>9,755</u>
<u>3,642,195,421</u>	Balance at 31 December	<u>3,320,028,406</u>



 David Doyle
 Secretary General
 Department of Finance
 20 November 2009

Accounting Policy

This is a receipts and payments account and, accordingly, investments are stated at cost.

NOTES TO THE ACCOUNT

1 The Account reflects the transactions relating to the investment of surplus Social Insurance Fund moneys, which are managed and controlled by the Minister for Finance in accordance with Section 9 of the Social Welfare (Consolidation) Act, 2005. The Minister has delegated responsibility to the National Treasury Management Agency for the investment of moneys standing to the credit of the Investment Account excluding moneys on deposit at the Central Bank in accordance with Section 28 of the National Treasury Management Agency Act, 2000. Ministerial investment guidelines have been provided in accordance with this Section.

2 The return on investments is analysed as follows:

	2008	2007
	€	€
Interest (Note 3(a))	111,913,291	77,654,994
Bond dividends	61,605,237	54,846,570
Bond dividends accrued on purchase (Note 3 (b))	(13,195,149)	(13,938,130)
Net realised losses on sales of bonds	(114,022)	(6,514,100)
Total Return on Investment	160,209,357	112,049,334

3 (a) The amount of interest shown is the actual amount received in the year.

Interest and dividends of €44,340,428 accrued at the end of 2008 was received in 2009.

(b) Bond dividends accrued on purchase represent a payment made from the Account in 2008, in excess of the capital value of the bonds purchased, to compensate the seller for interest already earned. This amount was received by the Fund in 2009.

4 Unrealised gains of €38,972,280, representing the difference between the purchase price and the market value on bonds held at 31 December 2008, have been excluded from the Account.

5 The balance at 31 December 2008 comprises €488,115,127 on deposit in the Central Bank and €2,831,913,279 in investments managed on behalf of the Minister by the National Treasury Management Agency.