

***SOCIAL INSURANCE FUND***

***FINANCIAL STATEMENTS***

***2007***

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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 controls 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.

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Notes</u>	€000	<u>2007</u> €000	€000	<u>2006</u> €000
<u>Receipts</u>					
PRSI Contributions					
Social Insurance	1	7,722,010		6,921,222	
Health Contribution	2	1,107,461		1,021,550	
National Training Fund Levy		<u>405,427</u>	9,234,898	<u>366,252</u>	8,309,024
Receipts from Investments			112,049		53,084
Other Receipts	3		<u>88</u>		<u>105</u>
			<u>9,347,035</u>		<u>8,362,213</u>
<u>Payments</u>					
Social Insurance					
State Pension (Contributory)	4	2,754,749		1,580,896	
State Pension (Transition)	4	79,070		857,627	
Widow's & Widower's (Contributory) Pension		1,204,979		1,094,884	
Deserted Wife's Benefit		100,710		94,621	
Maternity Benefit		257,896		180,801	
Health & Safety Benefit		503		353	
Adoptive Benefit		1,333		818	
Guardian's Payment (Contributory)		9,560		8,815	
Illness Benefit		755,077		627,642	
Invalidity Pension	4	618,133		602,414	
Carer's Benefit		26,900		16,688	
Occupational Injuries Benefits	5	104,349		95,988	
Bereavement Grant		16,673		12,686	
Widowed Parent Grant		3,862		2,942	
Jobseeker's Benefit		544,931		455,073	
Treatment Benefit	6	91,602		95,020	
Free Schemes	7	249,774		206,590	
Redundancy & Insolvency	8&9	<u>188,178</u>		<u>170,012</u>	
		<u>7,008,279</u>		<u>6,103,870</u>	
Administration Expenses	10	<u>242,711</u>	7,250,990	<u>221,684</u>	6,325,554
Health Contribution			1,113,000		1,021,000
National Training Fund Levy			<u>408,000</u>		<u>366,000</u>
			<u>8,771,990</u>		<u>7,712,554</u>
Excess of Receipts over Payments			575,045		649,659
Balance Due from /(to) other bodies	13		<u>8,112</u>		<u>(802)</u>
Surplus for the year			<u>583,157</u>		<u>648,857</u>

Notes 1 - 16 form part of these Accounts.

**BALANCE SHEET AS AT 31 DECEMBER 2007**

	<u>Notes</u>	€000	<u>2007</u> €000	€000	<u>2006</u> €000
Fixed Assets					
Premises	14		1,477		1,477
Financial Assets					
Investment Account			3,642,195		3,076,529
Current Assets					
Agents' Balances	15	8,941		-	
Contributions Receivable	16	9,150		10,302	
		<u>18,091</u>		<u>10,302</u>	
Current Liabilities					
Banks		12,013		14,839	
Agents' Balances	15	10,922		11,731	
Balance due to other Bodies	13	3,208		11,320	
Sundry Creditors		3,322		1,277	
		<u>29,465</u>	(11,374)	<u>39,167</u>	(28,865)
Net Assets			<u><u>3,632,298</u></u>		<u><u>3,049,141</u></u>
Represented by					
Reserves at 1 January			3,049,141		2,400,284
Surplus for the year			583,157		648,857
Reserves at 31 December			<u><u>3,632,298</u></u>		<u><u>3,049,141</u></u>

Notes 1 - 16 form part of these Accounts.

**SOCIAL INSURANCE FUND INVESTMENT ACCOUNT 2007**

	<u>2007</u> €000	<u>2006</u> €000
Balance at 1 January	3,076,529	2,387,164
Transferred from the Revenue Commissioners	9,218,617	8,273,283
Return on Investments (see note 2)	<u>112,049</u> 12,407,195	<u>53,084</u> 10,713,531
Deduct:-		
Paid to Minister for Social & Family Affairs	8,765,000	7,637,000
C&AG Audit Fee	-	2
Balance at 31 December (see note 5)	<u><u>3,642,195</u></u>	<u><u>3,076,529</u></u>

David Doyle  
Secretary General  
Department of Finance  
20th October 2008

**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.

	<u>2007</u> €000	<u>2006</u> €000
2 The return on investments is analysed as follows:		
Interest (see note 3a)	77,655	70,004
Bond Dividends	54,846	9,431
Bond Dividends accrued on purchase (see note 3b)	(13,938)	(25,900)
Net realised losses on sales of bonds	(6,514)	(451)
<b>Total Return on Investment</b>	<u><u>112,049</u></u>	<u><u>53,084</u></u>

3(a) The amount of interest shown is the actual amount received in the year.  
An amount of €53,814,817 accrued at the year end has not been brought to account in 2007.

3(b) Bond Dividends accrued on purchase represent a payment made from the Account in 2007, 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 2008.

4 Unrealised gains of €2,498,709, representing the difference between the purchase price and the market value on bonds held at 31 December 2007, have been excluded from the Account.

5 The balance at 31 December 2007 comprises €454,359,456 on deposit in the Central Bank and €3,187,835,965 in investments managed on behalf of the Minister by the National Treasury Management Agency.

## 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 2007 will not become available for analysis until mid-2009.

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>2007</u> €000	<u>2006</u> €000
Employer Contributions	5,762,011	5,167,274
Employee Contributions	1,539,147	1,380,234
Self-Employed Contributions	420,852	373,714
	<u>7,722,010</u>	<u>6,921,222</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>2007</u> €000	<u>2006</u> €000
Rent	19	19
Receipts from UK in respect of Reciprocal Arrangement	69	86
	<u>88</u>	<u>105</u>

### 4. Social Welfare Law Reform and Pensions Act 2006

Sections 11 & 12 of the Social Welfare Law Reform and Pensions Act, 2006 provide for the automatic transfer from Invalidity Pension or State Pension (Transition) to State Pension (Contributory) when the recipient reaches the age of 66. This provision took effect from 28th September 2006. Previously Invalidity Pension and State Pension (Transition) expenditure included payments to persons aged 66 and over.



### 5. Occupational Injuries Benefits

	<u>2007</u> €000	<u>2006</u> €000
Injury Benefit	17,194	16,123
Disablement Benefit	79,283	72,526
Death Benefit	7,574	7,047
Medical Care	298	292
	<u>104,349</u>	<u>95,988</u>

### 6. Treatment Benefit

	<u>2007</u> €000	<u>2006</u> €000
Dental Benefit	64,846	67,845
Optical Benefit	21,050	22,583
Medical & Surgical Appliances Benefits	5,706	4,592
	<u>91,602</u>	<u>95,020</u>

### 7. Free Schemes

	<u>2007</u> €000	<u>2006</u> €000
Fuel Allowance	55,517	42,895
Smog Allowance	5,884	6,036
Free Electricity	87,912	65,466
Free Bottled Gas	16	26
Free Natural Gas	11,499	6,380
Free Television Licence	31,458	29,783
Free Telephone Rental	57,488	56,004
	<u>249,774</u>	<u>206,590</u>

## 8. 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>2007</u> €000	€000	<u>2006</u> €000
Redundancy - Payments	183,328		166,483	
- Recoveries	<u>(658)</u>	182,670	<u>(434)</u>	166,049
Insolvency - Payments	5,710		4,280	
- Recoveries	<u>(924)</u>	4,786	<u>(554)</u>	3,726
Employment Appeals Tribunal Expenses	725		237	
Miscellaneous Items	<u>(3)</u>	722	-	237
		<u><u>188,178</u></u>		<u><u>170,012</u></u>

## 9. 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 (arrear 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>2007</u> €000	<u>2006</u> €000
	Redundancy	Insolvency	Total	Total
Balance at 1 January	31,123	46,886	78,009	68,073
Payments resulting from employer default	7,216	5,710	12,926	10,924
Less: Amounts recovered	658	924	1,582	988
Balance at 31 December			<u><u>89,353</u></u>	<u><u>78,009</u></u>

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

## 10. Administration Expenses

	<u>2007</u> €000	<u>2006</u> €000
Staff costs		
- Salaries	93,694	91,116
- Superannuation	21,000	16,800
- Travelling	2,011	1,795
Agency Costs		
- Collection of contributions	35,330	33,475
- Payments to An Post	24,662	19,141
- Payments to Department of Enterprise, Trade and Employment re the Redundancy and Employers' Insolvency Schemes	1,550	1,451
Postage and Telecommunications	7,893	7,473
Accommodation/Equipment/Supplies	30,301	24,993
Audit Fees	105	77
Other costs	26,165	25,363
	<u>242,711</u>	<u>221,684</u>

The administration expenses deemed to be attributable to the Social Insurance Fund are borne by the Fund.

## 11. 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:

	€000	<u>2007</u> €000	€000	<u>2006</u> €000
Overpayments outstanding at 1 January		30,504		26,517
Migration of amounts previously written off <sup>1</sup>		17,837		-
Overpayments recorded in year		<u>17,488</u>		<u>11,188</u>
		65,829		37,705
Less:				
Amounts recovered in year	7,047		6,249	
Amounts written off in year	<u>1,595</u>	8,642	<u>952</u>	7,201
Overpayments outstanding at 31 December		<u>57,187</u>		<u>30,504</u>

<sup>1</sup> The amount of €17,837,000 arises mainly because of the migration of debt to the new Overpayments and Debt Management computer system. This amount had previously been written off for accounting purposes only.

## 12. Ex-Gratia Payments

Ex-gratia payments amounting to €97,670 were made in 2007 (2006 - €149,763).

### 13. 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>2007</u> €000	€000	<u>2007</u> €000	<u>2007</u> €000	€000	<u>2006</u> €000
Balance at 1 January		8,304		3,016	11,320		10,518
Apportioned during the year	1,107,461		405,427			1,387,802	
Paid in the year	<u>1,113,000</u>	<u>(5,539)</u>	<u>408,000</u>	<u>(2,573)</u>	<u>(8,112)</u>	<u>1,387,000</u>	<u>802</u>
Balance at 31 December		<u>2,765</u>		<u>443</u>	<u>3,208</u>		<u>11,320</u>

### 14. Premises

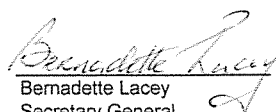
The ownership of Aras Mhic Dhiarmada, Store St., Dublin 1 (the headquarters of the Department of Social and Family Affairs), is vested in the Minister for Social and Family Affairs on behalf of the Fund. These premises include Busaras. The Fund receives an annual fixed rent from C.I.E. in respect of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

### 15. Agents' Balances

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

### 16. Contributions Receivable

Contributions receivable mainly refer to the amounts of PRSI contributions collected by the Revenue Commissioners, but not transferred to the Fund in 2007.



Bernadette Lacey  
Secretary General  
Department of Social and Family Affairs  
19 December 2008