



Department
for Work &
Pensions

Client Funds Account 2020/21

2012 Child Maintenance Scheme

HC 922



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Pensions

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Presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000

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2 Client Funds Account 2020/21 2012 Child Maintenance Scheme

Foreword

The Department for Work and Pensions (the Department, DWP) is responsible for the management of client funds relating to both the 2012 statutory child maintenance scheme operated by the Child Maintenance Service (CMS) and 1993 and 2003 schemes which were originally delivered by the Child Support Agency (CSA), collectively known as the Child Maintenance Group (CMG).

The Department provides a Child Maintenance system that supports separated parents to work together to set up family-based child maintenance arrangements. Where this is not possible, it provides access to an effective and efficient CMS to ensure separated parents contribute towards the upkeep of their children.

CMG has responsibility for the management of client funds collected through the statutory service. Child Maintenance assessed under the CMS 2012 scheme and CSA arrears only cases are managed on the CMS computer system (CMS system) launched in 2012.

These schemes support children by arranging maintenance and where the collection service is used, paying funds obtained from the Paying Parent (PP) to the Receiving Parent (RP) after relevant charges have been deducted.

The running costs of CMG are charged to the Department¹ and reported in the DWP Annual Report and Accounts. However, for Client Funds, CMG acts purely as custodian and the Department is required, by HM Treasury under section 7(1) and (2) of the Government Resources and Accounts Act 2000, to publish a Client Funds Account, which is separate from the accounts for the rest of the Department's activities.

This account reports on the 2012 statutory scheme, with the 1993 and 2003 statutory schemes being reported in a separate publication. This provides more clarity for the reader and allows the Comptroller and Auditor General to provide an independent opinion on each of the Accounts.

The opinions for this account are given by the Comptroller and Auditor General in the audit certificate. Since 2016/17, the accuracy with which DWP caseworkers assessed child maintenance has been at a level where an unmodified opinion has been issued on the regularity of receipts and payments for the 2012 child maintenance scheme. In spite of the challenges to the business resulting from the pandemic, the Department has seen accuracy improve during this financial year.

The Comptroller and Auditor General has issued an unmodified opinion on the Account for 2020/21. The Comptroller and Auditor General's opinion on whether the accounts properly present receipts, payments, balances and arrears and have been properly prepared is, as in previous years, unqualified.

¹ <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2020-to-2021>

1 Background

Both parents are responsible for the costs of raising their children, even if they do not see them. The Department provides tools and support for parents to set up an arrangement that works for them and they may make their own private family-based arrangement with little or no government help at all. A child maintenance calculator is available online to estimate what might be a reasonable amount of child maintenance to pay.

The Department also recognises that not all parents are in a position to come to such collaborative arrangements and may need extra help. The CMS provides the statutory child maintenance scheme where parents are unable to work together or where the absent parent will not meet their responsibility to pay maintenance for their children voluntarily.

The Department is also implementing (in England) a Programme to reduce parental conflict, integrating evidence-based interventions into local services to support disadvantaged and workless families through the Reducing Parental Conflict Programme². Whilst not part of the CMG portfolio, the outcomes from the programme will support CMG's objectives.

Before accessing the statutory child maintenance scheme, separated parents are required to contact Child Maintenance Options, a free service that provides impartial information and support to help them make informed choices about their child maintenance arrangements. In August 2019 an online Options service was launched, which continues to be reviewed and improved.

Within the statutory scheme, the CMS operate two service types: Direct Pay and Collect and Pay.

For the Direct Pay service, the CMS calculates the amount of child maintenance that a PP must pay and the case is managed on the CMS system, but parents must agree between themselves how the money will be paid: the CMS provides the calculation and no further use of the service is required. CMS review the maintenance calculation every year to ensure the amount of maintenance assessed is correct. Direct Pay can be chosen by either parent with the other's agreement.

For the Collect and Pay service, the CMS calculates the amount of child maintenance, then collects the payment from the PP and pays it to the RP. Clients must pay fees for using the Collect and Pay Service. The PP must pay 20% on top of the maintenance amount due, whilst the RP has 4% deducted of the maintenance amount. Collect and Pay is used in circumstances where the PP has failed to pay maintenance or has indicated that they are unwilling to pay.

Receipts and Payments reported in these accounts relate only to Collect and Pay cases. Direct Pay Cases are not included as CMG is not involved as parents arrange payments themselves.

Child maintenance has undergone major reform in the last decade with the creation of the CMS and the closure of the CSA. This has ended the 'default' nature of the old service, with collaboration between separated parents at the centre of the reforms, enabling delivery of an effective, efficient statutory scheme.

These reforms are now concluding and all CSA cases with a current liability (requirement to pay child maintenance) were closed by the end of 2018; parents were encouraged to contact Child Maintenance Options for advice on setting up a new child maintenance arrangement.

Arrears only cases were, subject to criteria agreed after public consultation³, either written off or addressed through representation; a process where clients are contacted and asked if they wanted the Department to make a last attempt at collection.

All live cases, irrespective of the scheme they were assessed under, are now managed by a single more efficient system allowing the CMS to focus efforts on supporting those parents most in need and collecting money that will benefit today's children. Under the CMS, the Department has stronger collection and enforcement powers – for example, it can apply to the courts to disqualify non-compliant

² <https://www.gov.uk/government/collections/reducing-parental-conflict-programme-and-resources>

³ <https://www.gov.uk/government/publications/child-maintenance-compliance-and-arrears-strategy-2018>

parents from holding a UK passport. This has resulted in the collection of arrears where other enforcement actions have been exhausted and demonstrates that the CMS will take a strong stance against persistent non-compliance.

1.1 Impact of Covid-19

As part of the Departments' Covid-19 response, 1,500 CMS staff were redeployed to front line services to support the increase in Universal Credit (UC) claimants during the early days of the pandemic. To facilitate this, CMS operated a minimum service, making a number of temporary service easements. Including:

- Only accepting applications online
- Accepting verbal evidence for a range of change of circumstances
- Pausing all enforcement activity
- Pausing all CSA case closure activity on representation

In addition, the following temporary changes to the service were introduced:

- **New applications:** Effective dates set for a maintenance claim and provisional calculations sent to parents in order to get child maintenance into payment as quickly as possible.
- **Calculation:** The time period for reconsidering a PP's maintenance liability on the basis of a change in income was reduced from 12 weeks to 2 weeks. This was intended to help reduce the short-term financial pressure experienced by many paying parents.
- **Changes of Circumstance:** Updated guidance on telephone and online services to encourage parents to report changes online where possible.
- **Deduction from Earnings Orders (DEOs):** CMS imposed DEOs where appropriate, but did not pursue businesses that were unable to implement them.
- **Income reduction:** In response to a drop in income, CMS advised PP's to reduce their payments and then retrospectively amended maintenance calculations to reflect this income change.

From July 2020, the CMS began to reinstate its core levels of service delivery, with almost all staff returning from redeployment by September 2020. As part of the recovery, the CMS continued with a reduced telephone service, encouraging customers to contact them via their self-service Child Maintenance account in the first instance.

The CMS also stepped up effort on the recovery and enforcement of outstanding arrears by reviewing all non-paying cases, ensuring cases were up to date, with outstanding changes actioned and arrears balances corrected. Between September 2020 and December 2020 CMG were able to secure Court hearings for approximately 95% of cases that were put on hold during the period of minimum service and Enforcement agent cases were once again being actively addressed. By January 2021 collections from enforcement activities were back to pre-pandemic levels, and they have remained strong with collections matching best ever levels.

The impacts of the pandemic on performance will continue to be closely monitored as furlough ends and CMG will respond accordingly by building on the measures implemented, encouraging customers to make their own arrangements and interacting with the Department online.

1.2 Transformation

With the completion of the Compliance and Arrears Programme, CMG has shifted its focus to look at how it can deliver services with increasing effectiveness and efficiency. The Transformation programme began as a result of the shift in service offering during Covid-19, with a view to optimise the use of digital channels and self-service by our clients.

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It is a three-year programme of change to explore new ways to improve, streamline and deliver a more modern, caring service for less, placing children at the heart of what we do.

In response to the changing demographics of our customers, we have embraced digital technology and have previously successfully implemented online services including 'My Child Maintenance Case' and 'Apply Online'. Under Transformation, changes have been made to these services to increase the functionality available to customers.

As part of our drive to deliver better customer service, improved response times and operational efficiencies, customers are encouraged to use their digital account: My Child Maintenance Case, where practical, to report changes, get updates on progress and make card payments. We currently communicate with our customers by telephone, post, SMS and My Child Maintenance Case.

2 Performance during 2020/21

2.1 Caseload

The CMS caseload at 31 March 2021 including both the Collect and Pay and the Direct Pay services was 548,000 (March 2020, 515,600). This was an increase of 6% since 31 March 2020 and includes cases that closed on the old CSA schemes where those parents subsequently made applications to CMS. 185,900 CSA cases which had their liability ended during CSA case closure, subsequently made an application to the Child Maintenance Service.

Of the Collect and Pay caseload, 72% (2019/20, 68%) of case groups were contributing towards their current liability, the highest compliance level recorded since the 2012 scheme began. This improvement is a result of the continuation of a concept known as 'Total Enforcement' which ensures everyone in CMG takes appropriate action throughout the lifecycle of a case to drive compliance and secure money for children.

At March 2021, 769,600 children were covered by the CMS: 498,700 through Direct Pay arrangements and 263,300 by arrangements through the Collect and Pay Service. Cases covering 7,600 children had not been assigned as parents were considering which service to use or were in the process of changing service. If payments are not being made by parents using Direct Pay, the RP can ask the CMS to step in, the case is changed to Collect and Pay and fees are charged.

As at 31 March 2021, 63% of PP's were using Direct Pay and 36% the Collect and Pay Service; 1% of new applications, were still to be assigned.

In the last year, the Department estimates that £972.7 million (2019/20, £933.8 million) was paid between parents. These figures include both funds paid via the Department and voluntary payments where a payment is made directly to the RP by the PP. This estimate assumes that Direct Pay payments due are paid in full and on time by the PP.

The totals comprise:

- £783.6 million through Direct Pay (2019/20, £742.2 million) and,
- £189.1 million⁴ through Collect and Pay (2019/20, £191.6 million).

⁴ Although maintenance was arranged utilising the Collect and Pay service, not all payments were received via the Department's collection service as clients can still choose to pay directly.

Additionally, clients with unpaid maintenance using the Collect and Pay service can choose to switch to the Direct Pay service. When this happens, the Paying Parent continues to pay any outstanding maintenance to the Receiving Parent, however payments are made directly to the Paying Parent, rather than via the Department.

Receipts quoted within Sections 2.3.1 (£170.4 million) relate only to those collected by the Department.

Since the start of the CMS 2012 scheme, the Department estimates that £4,142.0 million (March 2020, £3,169.3 million) has been paid between parents.

2.2 Direct Pay

While payments made through Direct Pay do not flow through the Client Funds bank account, they are a key part of the reforms.

Parents who choose Direct Pay are advised to keep a record of payments in case there are problems. Where payments due under Direct Pay are reported as missed, both clients are asked to provide evidence of the missed payment to the CMS. In cases where it is deemed the PP has not paid or is unlikely to pay, the case may be changed to Collect and Pay where enforcement tools are available to re-establish compliance and recover any outstanding unpaid maintenance, including any accumulated while the case was classed as Direct Pay. Unless advised otherwise, the Department assumes Direct Pay payments due are paid in full, and on time, by the PP.

2.3 Collect and Pay

2.3.1 Receipts and payments of child maintenance

During 2020/21, 2.2 million (2019/20, 2.1 million) individual receipts were received totalling £170.4 million (2019/20, £173.1 million) and 2.0 million (2019/20, 2.0 million) individual payments were made to RPs with a total value of £165.4 million (2019/20, £167.0 million). All receipts and payments are made electronically. The total value of receipts and payments in 2020/21 were less than in 2019/20 – primarily due lower average Paying Parent income resulting from the impacts of the Covid pandemic – for example, due to the furlough scheme, and more parents claiming benefit.

Overall in 2020/21, less funds were paid out than were received, due to timing differences and due to the value of refunds to Employers and PPs. Maintenance monies received are paid to RPs as quickly as possible, subject to normal banking clearance cycles, if a method of payment has been supplied by the RP. There are occasions where funds are pending allocation to a case or have been received slightly in advance of when they are due. This led to the CMS holding a cash balance at 31 March 2021 of £11.3 million, equating to 5% of the funds received during the year (31 March 2020, £11.8 million, 5%).

2.3.2 Unpaid maintenance

In addition to reporting the receipts and payments of child maintenance, the Department is required to report on amounts that PP's owe to RP's. This totalled £408.5 million at 31 March 2021 (31 March 2020, £354.3 million).

Included in the unpaid maintenance balances is an element which has not yet been requested from the PP. This occurs because there is a short period between the date of the claim and the first payment being scheduled for payment. At 31 March 2021, this was £3.9 million (31 March 2020, £4.2 million).

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Table 1: Maintenance owing as a proportion of the cumulative maintenance raised, including money due to have been paid by Direct Pay, at March ⁵ :	%
2021	8.9
2020	9.9
2019	10.8
2018	12.1
2017	12.5
2016	13.3
2015	17.1

At 31 March 2021, 8.9% of child maintenance arranged since the start of the 2012 scheme was outstanding. This measure, which includes unpaid maintenance transferred from Direct Pay if a case has changed service type, has shown a continuous improvement since 2015 and reduced by 8.2% overall.

We expect this trend to continue as the Total Enforcement culture continues to be embedded with caseworkers, coupled with the Regulations which came into force in December 2018.

When a payment is missed, the CMS contacts the PP to find out why they have not paid and arranges for them to pay what they owe or informs them about possible enforcement action if they do not pay. If the PP is using the Collect and Pay service, this will happen automatically. If the parents are paying child maintenance using Direct Pay, the RP can request that the CMS take action. The CMS can collect unpaid child maintenance in a number of ways. This includes:

- Taking money from the PP's earnings through a deduction from earnings order/request. The CMS will tell the PP's employer how much to take from their wages. The employer must then pass on the money or they can be taken to court.
- Taking money directly from the PP's bank or building society account by deduction order, including from Joint, Business and Partner accounts linked to the PP.
- Taking the PP to court. The courts can grant liability orders which allow the parent to be referred to Enforcement Agents who could sell property to pay the unpaid maintenance and any costs. The courts can also apply a charging order which secures the debt against a property and ultimately force the parent to sell property through an order for sale, using the money to pay off the unpaid maintenance. If these methods fail, the CMS can apply for the courts to disqualify the parent from driving, send them to prison or confiscate the passports of non-compliant PPs.

Funds received through enforcement actions continue to increase month on month.

In addition, an increasing level of referrals are being made to the Financial Investigations Unit to check that the right amount of child maintenance is being paid. These investigations can be criminal investigations to gather evidence to help decide if a parent can be charged using the Crown Prosecution Service. Investigations may also be carried out into why deduction from earning orders are not being successful in collecting child maintenance, and into complex earners who are parents with multiple income streams, company directors and the self-employed. In these cases, the parent may have some control over the way in which their income is paid and the amount of child maintenance they are meant to pay may not reflect the parent's true income. Further information can be found in the CMS statistical publication.⁶

⁵ Figures used in the calculation can be found in the CMS statistical publication - <https://www.gov.uk/government/collections/statistics-on-the-2012-statutory-child-maintenance-scheme>

⁶ <https://www.gov.uk/government/collections/statistics-on-the-2012-statutory-child-maintenance-scheme>

2.3.3 Collectability

As the level of reported arrears continues to increase, the Department has considered the collectability of all unpaid maintenance.

During 2020/21, there has been a continuing improvement in collection rates using the strengthened enforcement powers that were introduced in December 2018. The Department continues to target unpaid maintenance of all ages and we continue to see a reduction in debt by year, even in the oldest debt categories. Cases are moved into enforcement and more reliable methods of payment such as deductions from earnings orders are promoted. This has contributed to an increasing trend year on year, and compliance, which measures the number of people paying as a proportion of the total with on-going maintenance due, standing at an all-time high of 72% for the quarter to 31 March 2021.

Table 2: Analysis of unpaid maintenance by year they originate:	As at 31 March 2020 (£m)	As at 31 March 2021 (£m)
2013/14	0.8	0.7
2014/15	5.8	5.1
2015/16	15.4	13.3
2016/17	36.5	31.6
2017/18	68.1	58.3
2018/19	99.6	84.7
2019/20	128.1	106.1
2020/21	-	108.7
Total (see Note: 7.4 Movements in unpaid maintenance)	354.3	408.5

Although compliance is rising, not all parents are paying all that is due, as a result, unpaid maintenance balances are growing. To address this, 51.0% of the amount outstanding is being pursued through enforcement work and 6.9% is in surveillance (where a Paying Parent is currently unable to pay and enforcement action would not be appropriate at this time). We are actively collecting nearly 40% of scheduled payments.

Table 3: Unpaid Maintenance Categories	19/20		20/21	
	£m	%	£m	%
Not due*	4.2	1.2%	3.9	0.9%
Scheduled and Paying	135.6	38.3%	162.9	39.9%
Enforcement	182.8	51.6%	208.3	51.0%
Surveillance	27.7	7.8%	28.1	6.9%
Pending allocation to a classification	4.0	1.1%	5.3	1.3%
	354.3	100.0%	408.5	100.0%

*Not due relates to liabilities that have been charged but where the client is not yet due to pay.

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Despite the continued efforts of the Department to secure maintenance, there are still a proportion of clients from whom no maintenance has yet been recovered. This proportion is higher for the oldest debt, although represents a much smaller number of clients and value of unpaid maintenance.

Table 4: Financial Year	% of clients where no maintenance has been collected	Unpaid Maintenance attributable to clients where no collection has been made (£m)
2012/13	6%	0.0
2013/14	13%	0.0
2014/15	7%	0.6
2015/16	7%	1.3
2016/17	6%	2.6
2017/18	5%	3.7
2018/19	4%	4.8
2019/20	4%	6.1
2020/21	4%	8.1
Overall	4%	27.2

The Department's ability to monitor changes in the life circumstances of our clients through new benefit claims or new employment details, means we have more opportunity than the private sector to establish or enforce compliance through deductions from benefits and deductions from earnings. This is particularly prevalent in the current climate, with an increased UC caseload occurring during the Covid-19 pandemic. The Department is achieving compliance now from a significant number of PPs who have never paid before through deductions from benefits, albeit at a reduced level, due to lower levels of income. This means that although there are some clients where no maintenance collection has ever been made, the Department does not view this debt as uncollectable at present.

In addition, the Department has significant enforcement powers which are not available in other sectors e.g. order for sale of property, confiscation of driving licenses and passports, which can be utilised when necessary. The most severe also act as a significant deterrent to non-payment. Work is planned to increase visibility of the Department's powers through advertising campaigns to further increase the deterrent effect.

Despite these powers, there are some cases that have been non-paying for over 12 months. CMG have reviewed these to determine if there is evidence to support ongoing enforcement action. For those cases that have potentially exhausted all debt recovery options, CMG commissioned a third-party supplier (Indesser) to extract any additional information on the cases and assess the potential to use this to collect the maintenance. Of the 497 cases which had been non-paying for over 12 months, 435 (87.5%) were identified as potentially uncollectable by CMG after all viable courses of action to recover the unpaid maintenance were exhausted. The conclusions of this work are being discussed with policy and ministers, and a formal assessment will be made of potentially uncollectable debt in the 2021/22 Accounts.

A proportion of debt is written off each year for 'Business as Usual' reasons. This may be due to death of the PP, or because the RP does not wish the Department to continue to pursue a debt. Although the debt is not ultimately collected in these cases, the Department does not view this as uncollectable because a decision has been taken not to pursue it. During 2020/21, £9.3m has been written off against our estimate of £10.9m reported in the 2019/20 Accounts. Our best estimate is that we will write off in the region of £10.6m in 2021/22.

Table 5: Estimated 'Business As Usual' unpaid maintenance write off in 2021/22	
Unpaid Maintenance at March 2020 (£m)	354.3
Unpaid Maintenance Written off during 2020/21 (£m)	9.3
% unpaid maintenance written off	2.6%
Unpaid maintenance at March 2021 (£m)	408.5
Estimated unpaid maintenance write off 2021/22 (£m)	10.6

Based on the evidence summarised above, although the Department acknowledges the challenge it faces in collecting unpaid maintenance, a continuing trend of improved compliance, better understanding of its composition together with an increasing use of new powers available, leads us to currently classify all unpaid maintenance as potentially collectable. The Department does however recognise that the conclusions of the Indesser work may lead to some debt being classified as potentially uncollectable, and a formal assessment of this will be made in the 2021/22 accounts.

2.3.4 Statutory Child Maintenance Scheme costs, fees and charges

Non-child maintenance receipts of £44.9 million collected during 2020/21 (2019/20, £43.9 million) related mainly to application fees and collection and enforcement charges, which are paid to the Secretary of State. The administrative cost to the CMS of collecting these fees is reported as part of the CMG costs within the Department for Work and Pensions Resource Accounts.

2.3.5 Assessment accuracy

Assessment accuracy compares the aggregate weekly value of correct and incorrect child maintenance calculations to determine the percentage of cases that have been correctly assessed.

With the 2012 scheme, the Department has simplified the way it administers child maintenance. For example, it has simplified the calculation and significantly reduced the number of procedures and manual interventions involved in its administration, using direct interfaces with HMRC and the Department's benefit systems to establish parental income, thus increasing automation of the maintenance calculation.

Automation has a positive impact on assessment accuracy and the volume of automated transactions has remained level at 76.8% in 2020/21. In addition to planned improvements under the Transformation programme, our response to the pandemic accelerated the shift to digital channels, allowing clients to report changes in their circumstances online.

The Department's Quality Assurance Team has reported that the automated calculations they checked were free from error and when these automated decisions are taken into account, reported accuracy has risen slightly to 99.4% (2019/20, 99.0%). The improvement reflects a return to the levels of accuracy seen prior to 2019/20, when changes in ways of working impacted slightly on accuracy.

Peter Schofield
Principal Accounting Officer

Date: 14 December 2021

3 Statement of Accounting Officer's responsibilities

As Principal Accounting Officer of the Department, I have responsibility for the 2012 scheme Client Funds Account.

Under Section 7(1) and (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Work and Pensions to prepare, for each financial year, a Client Funds Account for the 2012 statutory scheme in the form and on the basis set out in the Accounts Direction.

In preparing the account, the Accounting Officer shall observe relevant accounting and disclosure requirements in the Government Financial Reporting Manual (FRM), in so far as it applies to a receipts and payments account, and any other guidance issued by HM Treasury, in particular to:

- observe the Client Funds Account Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- prepare the Account on a going concern basis

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 assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money.

I confirm that there is no relevant audit information that the Comptroller and Auditor General has not been made aware of, and that I have taken all necessary steps to ensure access to relevant information has been given. I can also confirm that this report as a whole and the judgement required in preparing it, is fair, balanced and understandable, and that I take personal responsibility for this being so.

Peter Schofield
Principal Accounting Officer

Date: 14 December 2021

4 Governance Statement

4.1 Introduction

The Department for Work and Pensions has responsibility for the management of client funds relating to the 2012 statutory child maintenance scheme. The Department operates the 2012 scheme through the CMS, part of the CMG.

The Department must prepare a Client Funds Account for the 2012 scheme in accordance with our HM Treasury Direction under Section 7 of the Government Resources and Accounts Act 2000.

The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2021 relate to CMG, as CMG is an intrinsic part of the Department. This statement covers topics which are therefore applicable to the CMS operating within the Department⁷.

In December 2012, the Department launched the 2012 statutory child maintenance scheme, delivered by the CMS and by 31 December 2018 all cases on the existing 1993 and 2003 schemes had their liability ended. As a result, parents had to choose between making their own, family-based arrangement, or making an application to the CMS where a family-based arrangement is not possible. Although outstanding arrears balances have moved from 1993 and 2003 computer systems to the CMS 2012 computer system, these arrears continue to relate to, and will be reported in, the Client Funds Account for the 1993 and 2003 schemes.

4.2 Control challenges: 2012 scheme

There are a number of control challenges facing the 2012 scheme.

4.2.1 System and process improvements

System and process changes will always carry a small level of risk even after extensive testing.

A number of changes have been introduced during the year to deliver targeted improvements in system functionality. Some were already planned as part of a three-year Child Maintenance Service Transformation Programme which aims to allow customers and caseworkers to manage child maintenance arrangements in an efficient and convenient way. Others were implemented in response to the pandemic.

In addition, architectural changes were made to the CMS system to ensure it remains fully supported and aligned with DWP Digital strategies

All changes have been successfully implemented.

4.2.2 Assessment accuracy

Our estimate of assessment accuracy for 2020/21 is 99.4%. The improvement on 2019/20 (99.0%) is due to changes in ways of working which adversely impacted caseworker accuracy in 2019/20, now being embedded.

The Department expects automation to continue to have a positive impact on accuracy as the proportion of calculations carried out by the system rises relative to the manual activity of caseworkers. Whilst the risk of manual caseworker error cannot be removed, significant efforts are being made to reduce the likelihood of error.

⁷<https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2020-to-2021>

Better Management Information (MI) has also contributed to improving accuracy through increased transparency of the CMS 2012 system. CMG operations has implemented targeted checking regimes, developed using this improved MI. This has allowed early identification of emerging trends, allowing greater focus on getting things right first time for the client. New and improved training materials have been developed and work is also being done to embed a culture of continuous improvement.

4.2.3 Information security

The General Data Protection Regulations (GDPR) came into effect on 25 May 2018 together with the 2018 Data Protection Act. These changes represented the biggest shake-up in data protection and privacy legislation in the EU for three decades, strengthening previous data protection law and updating it to take into account changes in technology and attitudes to privacy in the digital age. The GDPR is retained in domestic law as the UK GDPR.

The historic CSA systems were not compliant and would have required significant investment to reach GDPR standards. Instead, the Department continued with the approach outlined in the Compliance and Arrears Strategy, writing off the historic arrears, and responding to representation where the client wishes DWP to take action. All cases were removed from the historic CSA systems and those systems are now closed, addressing the GDPR compliance issue.

Under current DWP data retention policy, supporting case documentation is deleted 14 months after case closure, to ensure compliance with GDPR. Functionality has been introduced to the CMS system to delete cases in line with this policy, as this is the limit of timescales to appeal DWP decisions and after this point the Department does not have an operational requirement to retain this data. As a result, both CMS and CSA cases hosted on the CMS system are now GDPR compliant.

The policy intent was compliance with GDPR, but alongside this, the Department has not ensured that adequate accounting records that support and explain transactions have been retained for audit. This resulted in some supporting records being deleted ahead of audit as referenced in the report section of the audit certificate.

To safeguard against this happening in future, the data retention policy has been amended to ensure we retain adequate accounting records, whilst remaining compliant with GDPR. Necessary system changes to apply this policy are planned to be implemented by Spring 2022.

The Department adopted the GDPR Article 29 Working Party guidelines on Personal Data Breach Notification which may be accessed at:

http://ec.europa.eu/newsroom/article29/item-detail.cfm?item_id=612052

In relation to personal data breaches, the Department follows the guidelines from the Information Commissioner (ICO) which can be found at:

<https://ico.org.uk/for-organisations/guide-to-data-protection/guide-to-the-general-data-protection-regulation-gdpr/personal-data-breaches/>

During financial year 2020/2021 the DWP Data Protection team reported 21 personal data breaches to the ICO, 15 of these were in respect of CMG. There were also 146 enquiries in the form of Requests for Assessment (RFAs) from the ICO for the same period for the whole of DWP, of which 43 specifically involved enquiries about CMG.

CMG recognises the importance of protecting our client's data. Recommendations arising from breaches identified by the DWP Data Protection team and the ICO have led to delivery of security awareness and education sessions to all our staff. Internal communications are used to reinforce the impact that incorrect data and security breaches have on our clients and procedures have been updated to be more reflective and easier to follow for caseworkers.

Accountability for breaches has visibility at senior levels which has led to improvements in Management Information.

Further information about Data Protection is being addressed within the Department and can be found in the DWP Annual Report and Accounts for 2020/21:

[DWP annual report and accounts 2020 to 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/publication-strategy-for-the-2012-scheme-administered-by-the-child-maintenance-service)

4.2.4 Management Information

A strategy for the publication of information on the performance of the 2012 scheme, delivered by the CMS, was published in February 2014 and updated in November 2016 with plans to increase the range and assurance levels of published data. This can be found here:

<https://www.gov.uk/government/publications/publication-strategy-for-the-2012-scheme-administered-by-the-child-maintenance-service>.

Experimental official statistics are published quarterly. The range of statistics included in the experimental statistics has grown since the inception of the scheme, and is available here:

<https://www.gov.uk/government/collections/statistics-on-the-2012-statutory-child-maintenance-scheme>.

In addition to the published statistics, the Department uses a wide range of MI to control the processing of applications, changes of circumstances and other business activities. The MI that the Department produces has enabled the Department to stay in control of work intake, minimise backlogs and deliver agreed service levels.

During the financial year 2019/20, a new CMG data and analytics service, Children Analytical Data Service (ChADS), was initiated; this will be launched in 2021/22 and is being delivered in a number of phases, commencing with the transition of existing finance reporting capability, then broadening the scope of deliverables in accordance with a prioritised CMG Reporting and Analytics backlog.

ChADS entered Private Beta in April 2020, and is currently undergoing user evaluation, with the intention of transitioning to a Live Service later in 2021. We expect that this service will realise a significant range of benefits, including:

- Enhanced data visualisation and analysis capability.
- Significant improvements and efficiencies in the provision of data: a reduction in system response times, and a reduction in manual effort / handling.
- Provision of a large CMG data repository, which will be exploited to rapidly develop new end user products.
- The ability to replace and decommission CMG's existing MI solutions.

4.2.5 Detection of fraud and error

The Department has in place controls to prevent and detect fraud and error by child maintenance staff. An Audit Trail process exists to enable the Department to provide a single, consolidated view of all audited user activity on DWP systems, to improve the detection and deterrence of data misuse. The audit trail provision requires a cohesive collaborative working relationship between a number of independently managed teams including:

- The Management Information and Audit Requirements team (MIART) team who are responsible for the identification, development and enhancement of audit trails and associated Management Information.
- The Audit Data as a Service Team- ADaaS, who provide the analysis of user activities on DWP IT systems using an agreed set of rules which raise exceptions requiring further investigation

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- The Internal Abuse Monitoring team who are part of the Cyber Resilience Centre (CRC) and who have Departmental responsibility for developing pre-defined business activity or risks against which audit trails are run to detect/deter data misuse.

CMG provide audit data feeds to ADaaS which enable CRC to monitor activity within those systems. The Department always investigates cases, refers to ICO and prosecutes as appropriate.

5 Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Client Funds 2012 Child Maintenance Scheme Account for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Receipts and Payments Statement, the Statement of Balances, the notes relating to receipts and payments, outstanding maintenance balances, and other related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and the Government Resources and Accounts Act 2000 as interpreted by the Accounts Direction issued by HM Treasury thereunder.

In my opinion:

- the financial statements properly present the Client Funds 2012 Child Maintenance Scheme fund account's Statement of Balances as at 31 March 2021 and its receipts and payments for the year then ended.
- the financial statements have been properly prepared, in all material aspects, in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Department for Work and Pensions (the Department) in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Client Funds 2012 Child Maintenance Scheme Account's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Client Fund's ability to

continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Foreword, Background, Performance during 2020/21, Statement of Accounting Officer's Responsibilities and Governance Statement, other than the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, Background, Performance during 2020/21, Statement of Accounting Officer's Responsibilities and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Client Funds 2012 Child Maintenance Scheme Account's and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword, Background, Performance during 2020/21, Statement of Accounting Officer's responsibilities or Governance Statement. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- proper accounting records have not been kept; or
- proper returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- that management's use of the going concern basis of accounting is appropriate and whether a material uncertainty exists related to events or conditions which may cause doubt on the Department's ability to continue as a going concern for a period of at least 12 months from the date of the approval of the financial statements; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance relating to Child Maintenance schemes.

Responsibilities of the Accounting Officer for the Financial Statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer, is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they are properly presented;
- internal controls as the Accounting Officer determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing the Client Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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 Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Government Internal Audit Agency (GIAA) and those charged with governance, including obtaining and reviewing supporting documentation relating to the Client Fund's and the Department for Work and Pensions' policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the audited entity's controls relating to Managing Public Money, the relevant Accounts Direction issued under the Government Resources and Accounts Act 2000, and relevant legislation relating to Child Support and Maintenance.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified the potential for fraud in bias of management's estimate of cash and the posting of unusual journals;
- obtaining an understanding of the Client Fund's framework of authority as well as other legal and regulatory frameworks that the Client Funds operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Client Fund. The key laws and regulations I considered in this context included Managing Public Money the relevant Accounts Direction issued under the Government Resources and Accounts Act 2000, and other relevant legislation relating to Child Support and Maintenance and Support; and
- specific risk assessments performed in respect of significant risks relating to non-compliance with laws and regulations or fraud, including risk-based sampling of manual journals to identify those

presenting higher risk of fraud and understanding changes to the legislation relevant to Child Maintenance and Support.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- reviewing the processes, verifying the data used and the appropriateness of the assumptions and judgements applied for the estimate associated with cash allocation in the accounts;
- In addressing the risk of non-compliance of Receipts and Payments with the relevant Child Maintenance legislation, testing a sample of maintenance assessments to assess the regularity of these transactions;
- assessing the impact of incorrect maintenance assessment and arrears adjustment errors on the valuation of the arrears balance; and
- performing testing of arrears written-off and adjusted during the year to supporting evidence, to ensure that these adjustments were compliant with the relevant legislation.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

My report on the 1993 and 2003 Child Maintenance Schemes Client Funds Account 2020-21 (HC 923) looks at the administration and closure of cases under the 1993 and 2003 Child Maintenance Schemes, including the management of arrears balances. As noted in the Governance Statement, during 2020-21, the Department for Work and Pensions deleted child maintenance case records 14 months after arrears balances were written off, adjusted or collected, limiting the audit evidence available to me for my audit of the 1993 and 2003 Schemes and 2012 Scheme Client Funds Accounts. My report on the 1993 and 2003 Child Maintenance Schemes Client Funds Account explains the impact of the deletion of case records on my regularity opinion on that account; while the value of cases deleted is immaterial to the 2012 Scheme Account, the recommendations in my report on the 1993 and 2003 Schemes account are also relevant to the administration of the 2012 Child Maintenance Scheme.

Gareth Davies
Comptroller and Auditor General

Date: 15 December 2021

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

6 Financial Statements

6.1 Receipts and Payments Statement for the year ended 31 March 2021

	Notes	2020/21 £000s	2019/20 £000s
Receipts:			
Child Maintenance from Paying Parents	7.2	170,394	173,094
Fees, charges and other recoveries collected on behalf of the Secretary of State	7.2	44,897	43,854
Total Receipts		215,291	216,948
Payments:			
To Receiving Parents	7.2	165,367	166,984
Refunds to Paying Parents/employers	7.2	5,521	6,220
Fees, charges and other recoveries collected on behalf of the Secretary of State	7.2	44,897	43,854
Total Payments		215,785	217,058
Net receipts/(payments)		(494)	(110)
Balance as at 1 April		11,816	11,926
Balance as at 31 March		11,322	11,816

6.2 Statement of Balances as at 31 March 2021

	Notes	31 March 2021 £000s	31 March 2020 £000s
Opening balance		11,816	11,926
Movement		(494)	(110)
Closing cash balance	7.3	11,322	11,816

Peter Schofield
Principal Accounting Officer

Date: 14 December 2021

7 Notes to the account for the year ended 31 March 2021

7.1 Statement of accounting policies

The account has been prepared in the form directed by HM Treasury and shows receipts into and payments out of, the Client Funds bank accounts during the financial year, to the extent that these relate to amounts assessed under the CMS 2012 scheme. An element of these receipts and cash is estimated as described in Notes 7.2 and 7.3 below and accounts adjusted to reflect this best estimate.

The aggregate of the maintenance assessment balances at the start and end of the financial year are reported on an accruals basis, along with movements in these arrears balances during the financial year.

The account has been prepared under the historic cost convention.

7.2 Receipts and payments

Receipts from clients relate to child maintenance and also application fees and charges collected from Paying and Receiving Parents using the Collect and Pay Service. Recoveries are also obtained from PPs in respect of non-child maintenance payments, such as DNA and court costs.

The receipts quoted in the Receipts and Payments Statement differ from the receipts total shown in movements on outstanding maintenance arrears. This is principally due to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Statement.

The majority of receipts received in the bank account can be identified at a client level and can be allocated to the correct service and reported in the appropriate annual account.

However, receipts do not allocate immediately, for reasons including standard bank clearance times, incorrect reference numbers quoted and liability not yet due. Until receipts are allocated we are not always able to determine whether it relates to a CMS case, or a CSA case which has transitioned to the CMS 2012 IT system. As a result, an element of the total receipts must be estimated, as described further in note 7.3 Statement of balances.

Payments made also include payments relevant to the Department for Communities in Northern Ireland to fund payments made on behalf of DWP.

In addition to payments of child maintenance, refunds and reimbursements are made to PPs and employers for overpayments of maintenance and any costs recovered from PPs and income from fees and charges are paid to the Department.

7.3 Statement of balances

The balances relate to monies collected, which had not been paid over at year end and were held in the Client Funds bank accounts.

The historic CSA systems have been decommissioned and associated bank accounts closed down, the CMS system now uses the same bank accounts for both CMS cases and CSA cases which have transitioned to the CMS 2012 system. As such, the CMS bank balance as at 31 March each year will be comprised of both CSA and CMS balances, as described in note 7.2.

At the 31 March 2021, the CMS bank account balance was £12.1 million. Of this £8.6 million has been identified as attributable to the CMS 2012 scheme, £0.3 million to the 1993 and 2003 schemes, and £3.2

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million cannot be determined. During the course of 2020/21, 87% of all receipts were allocated to the 2012 scheme. This is the most robust evidence-based approach for apportioning the unallocated balance and therefore 87% (£2.8 million) of the £3.2 million has been included within the CMS 2012 scheme receipts and balance, with the remaining 13% (£0.4 million) included within the 1993 and 2003 scheme accounts.

The total cash balance included in the CMS 2012 scheme accounts is therefore £11.3 million (£8.6 million directly attributed, and £2.8 million apportioned based on annual receipts).

7.4 Movements in unpaid maintenance

The following table and accompanying notes explain movements between the opening and closing unpaid maintenance balances:

	Notes	2020/21 £000s	2019/20 £000s
Outstanding maintenance arrears at start of year		354,340	275,466
Maintenance charged in year and other adjustments	i)	232,138	256,276
Amounts written-off	ii)	(9,307)	(8,502)
Maintenance received in year	iii)	(168,655)	(168,900)
Outstanding maintenance arrears at year end	iv)	408,516	354,340

i) **Maintenance charged during the year and other adjustments.** This comprises: assessments made on PPs during the year; outstanding maintenance arrears transferred to and from the Department for Communities in Northern Ireland. Adjustments can arise from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties being offset against the maintenance due. Once the initial calculation is provided to clients, they are given an opportunity to review and confirm details before a payment schedule is issued. This necessary delay means that some arrears have accumulated before the payment plan is in place, which is usually scheduled for receipt in the first 12 months.

ii) **Amounts written off.** CMG has continued to make use of write off powers granted as part of Write off and Part Payment legislation introduced in 2010. The regulations allow part payment of child maintenance arrears to be accepted in full and final settlement with the agreement of the RP. The regulations also allow child maintenance arrears to be written off in certain explicit circumstances for example where the RP tells us that they do not want the arrears to be collected or the PP has died. If a PP dies and there are arrears of child maintenance outstanding, the CMG can make a claim for those arrears against the estate of a deceased parent, where it is appropriate to do so.

iii) **Maintenance received during the year from Paying Parents.** When a receipt is allocated to a case by the CMS 2012 system, the receipt reduces the outstanding liability of the PP immediately but does not pay out to the RP until funds are cleared. Times vary depending on the method of payment and its associated clearance cycle. The total value of maintenance receipts allocated to cases in 2020/21 was £168.7 million (2019/20, £168.9 million). The principal difference between the value of the receipts in the Receipts and Payments Statement 2020/21, £215.3 million (2019/20, £216.9 million) and those reported in Note 4 is due to the inclusion of non-child maintenance receipts, mainly fees and charges in the Receipts and Payments Statement. Also, the Receipts and Payments statement is prepared on a cash basis so there is a further timing difference between cash being received in our bank account and being allocated to a case.

iv) **Outstanding maintenance arrears as at 31 March 2021.** This is the balance of outstanding maintenance arrears recognised by the Department, after allowing for maintenance assessments in the year and after maintenance receipts have been deducted.

8 Events after the reporting date

There have been no events after the reporting period.

These accounts were authorised for issue on the date the Comptroller & Auditor General signed his certificate and report.

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