

Social Fund Account 2021-22

Social Fund Account 2021-2022

Presented to Parliament pursuant to Section 167(4) of the Social Security Administration Act 1992

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Foreword

Background information

The Social Fund was established in 1987 and continues under section 167 of the Social Security Administration Act 1992.

1. Section 138(1) of the Social Security Contributions and Benefits Act (SSCBA) 1992 enables payments of prescribed amounts to be made out of the Social Fund to meet, in defined circumstances, maternity and funeral expenses.
2. Payments of Budgeting Loans are paid in accordance with directions given or guidance issued by the Secretary of State, under the Social Security Act 1998.
3. Section 138(2) of the SSCBA provides for payments to enable people who satisfy prescribed qualifying conditions to meet expenses for heating incurred or likely to be incurred during periods of cold weather. Regulations provide for payments from the Social Fund to be made to certain customers following a period of cold weather or when cold weather is forecast.
4. Winter Fuel Payments were introduced in 1997-98 and currently paid under Social Fund Winter Fuel Payments Regulations 2000, to provide automatic help to pensioner households to assist with fuel bills.
5. Social Security Act 1998 enabled us to recover Social Fund overpayments with effect from April 1998.

Section 168 of the Social Security Administration Act 1992 was changed and came into force on the 23rd July 2019 to include Children's Funeral Fund for England.

HM Treasury introduced firmer spending controls in April 2014. Winter Fuel Payments and Cold Weather Payments contribute to expenditure within the constraints of the Welfare Cap and the funding provision for Sure Start Maternity Grants and Funeral Expenses Payments is subject to the Departmental Expenditure Limit.

Secretary of State's report

The Secretary of State is required by section 167(5) and (6) of the Social Security Administration Act 1992 to prepare an annual report on the Social Fund and to lay a copy of the report before each House of Parliament. The Social Fund annual report, which is unaudited, is expected to be presented to Parliament by January 2023. The report will give a detailed account of the activities and expenditure on the Social Fund for 2021-22.

Basis for the preparation of the Account

Under section 167(4) of the Social Security Administration Act 1992, Accounts of the Social Fund are to be prepared in such form and in such manner and at such times as the HM Treasury may direct.

The HM Treasury Direction was amended in February 2020 to update the name of the Act. Before this administrative update, it had not changed since 2014-15 and the requirement for the continued production of the Account will be kept under review with HM Treasury.

Categories of payments

Budgeting Loans

Interest free loans are available to customers in receipt of a qualifying benefit¹ to help them cope with the expenditure associated with the purchase of major items or services including furniture and clothes.

Sure Start Maternity Grants

The Sure Start Maternity Grant (SSMG) is available to families in receipt of a qualifying benefit and who meet the eligibility criteria². The grant is worth £500 in respect of babies due, born, adopted or subject of a parental order on or after 16 June 2003. This is for England and Wales with separate arrangements for Scotland under Devolution and therefore payments to Scottish citizens are not included in the Social Fund account.

Funeral Expenses Payments

Funeral Expenses Payments are available to help with the cost of a funeral. They may be made for customers or their partners, who are in receipt of a qualifying benefit and meet the eligibility criteria³. Funeral Expenses Payments are recoverable from the estate of the deceased, even if the estate is not sufficient to permit full recovery. This is for England and Wales with separate arrangements for Scotland under Devolution and therefore payments to Scottish citizens are not included in the Social Fund account.

Cold Weather Payments

Cold Weather Payments are payable to customers who are in receipt of a qualifying benefit and meet the eligibility criteria⁴. Customers receive payments of £25 for each period of seven

¹ <https://www.gov.uk/budgeting-help-benefits/eligibility>

² <https://www.gov.uk/sure-start-maternity-grant/eligibility>

³ <https://www.gov.uk/funeral-payments/eligibility>

⁴ <https://www.gov.uk/cold-weather-payment/eligibility>

consecutive days during which the average temperature was or was forecast to be zero degrees Celsius or below in the area where the customer lives.

Winter Fuel Payments

Winter Fuel Payments are payable to people of State Pension age who meet the eligibility criteria⁵, regardless of whether they are receiving a Social Security benefit. In 2021-22 this was customers born on or before 26 September 1955.

The total amount payable to a person eligible and under 80 years living alone in their own home was £200 for 2021-22 (£100 each if they shared a home with another eligible person aged under 80). For people aged 80 or over and living alone, the amount payable was £300 this year (£150 each if they shared a home with another eligible person aged 80 or over). Where one of the couple is over 80 and the other under 80 then the person over 80 receives £200 and the person under 80 receives £100.

Children's Funeral Fund

The Children's Funeral Fund will pay the fees charged by burial and cremation authorities and some associated expenses related to the funerals of children below the age of 18 and still-born children born after 24 weeks' gestation, when the funeral takes place in England. Payment is non-means tested and has no nationality or residence requirement.⁶

These payments are wholly administered by Ministry of Justice and, in accordance with HM Treasury direction, are therefore not included in the receipts and payments account, the statement of balances or the associated notes to the account.

Financial Performance

During 2021-22 £303 million (2020-21: £239 million) of recoverable Budgeting Loan payments were issued. We consider 2020-21 to have been an extraordinary year where pandemic restrictions resulted in reduced consumer spending and therefore application and award volumes were lower. In 2021-22 loan applications have reverted to expected levels though offset by a reduction in eligible customers on legacy benefits. Recoveries of loans paid back into the Fund during the year were £350 million (2020-21: £279 million) for Budgeting Loans and £16 million (2020-21: £10 million) for recovering Crisis Loans.

During the same period £49 million (2020-21: £62 million) Funeral Expenses Payments were issued, £0.7 million (2020-21: £0.5 million) was recovered and £44 million (2020-21: £46 million) was written off the total Funeral Expenses Payments debt, as there was no estate to recover from. This represents a return to the volumes of Funeral Expense Payment claims prior to COVID-19.

⁵ <https://www.gov.uk/winter-fuel-payment/eligibility>

⁶ <https://www.gov.uk/child-funeral-costs/eligibility>

Regulated payments included Sure Start Maternity Grants costing £26 million (2020-21: £28 million) and Winter Fuel Payments costing £1,975 million (2020-21: £1,958 million). Citizens entitled to a Winter Fuel Payment in 2022-23 will also get an extra £300 per household to help as part of the Government's cost of living support packaged. The total expenditure on Cold Weather Payments in 2021-22 was £0.4 million compared to £99 million in 2020-21. This was due to having a much warmer winter and therefore significantly fewer triggers. For the 2022-23 winter season, the Social Fund will no longer provide Cold Weather Payments to citizens resident in Scotland. Social Security Scotland will provide an annual Winter Heating Payment. As the majority of Cold Weather triggers occur in Scotland, it is expected that annual expenditure will significantly decrease.

The Social Fund is maintained by loan recoveries and monies voted by Parliament. Expenditure is estimated at the start of the year and taking into account forecast recoveries, sufficient funds are transferred to the Fund to meet the Department's expected liabilities to the paying agents⁷. Adjustments are made to the balances due to and from the paying agents during the normal course of business.

In 2021-22 there has been a £62 million decrease in our debt stock which has generated a surplus position in the Fund. This is due to recovery of debts from customers who are not taking out additional loans as a result of the diminishing size of the eligible customer base. This results in a greater value of recoveries than payments and a corresponding reduction in the debt balance. Please refer to note 3 for more information on the debt balance, recoveries and write offs.

The closing balance on the Fund is £377 million, increased by £65 million from £312 million in 2020-21.

The Department's aim is to ensure, in conjunction with HM Treasury, that a sufficient working balance is retained to both cover future demands and to protect the overall solvency of the Fund. As was mentioned in the 2020-21 Social Fund Account, the Department aimed to work jointly with HM Treasury during 2021-22 to agree an appropriate cash balance for the fund, which would potentially involve a repayment of surplus funds being made by DWP. We undertook a thorough analytical review within 2021-22 to assess the impacts of reducing demand and recoveries as customers migrate to Universal Credit. Due to the complexity of our repayment proposal and recent concerns over cost-of-living crisis, no repayment was made in 2021-22 and we will continue to consult with HM Treasury to agree the long-term financial management of the fund.

Recoverability of Debt

All debt balances in this Social Fund Account are disclosed before impairment is applied. The gross debt position is £311 million (2020-21: £373 million) of which £49 million (2020-21: £78

⁷The term 'Paying agents' cover both the customer and the funeral director in which we can pay on behalf of the customer to.

million) is impaired in line with the Department’s accounting policy. Social Fund debt is fully consolidated within the 2021-22 DWP Annual Report and Accounts (see note 13), where the debt is impaired in accordance with departmental policy.

In line with the Department’s recovery policy, debt is only written off in very limited circumstances. Our write off policy has been agreed with HM Treasury.

All evidence and assumptions used to calculate the Department’s financial assets impairment are the best available at the time of the assessment.

The impact of impairment on Social Fund debt excluding overpayment debt is illustrated in the following table:

	Budgeting Loans	Crisis Loans	Funeral Expenses Payments	Total
	£'000	£'000	£'000	£'000
Gross debt position	209,360	73,173	28,319	310,852
Provision for Impairment	(9,800)	(11,657)	(27,886)	(49,343)
Net debt position	199,560	61,516	433	261,509

A customer may have multiple Budgeting Loans up to a maximum of £1,500 and to ensure repayments are affordable an individual payment plan is agreed with each customer. This means that it can take many years for loans to be recovered. Whilst we seek to recover all outstanding debt, we acknowledge that due to the age of some of our debt stock and the quality of information to support the debt and changes in customers’ circumstances, not all debts may be recovered. We believe that the impairment fairly reflects our collectability of the debt stock.

Audit arrangements

The Comptroller and Auditor General is required under section 167(4) of the Social Security Administration Act 1992 to examine and certify the Social Fund Account and to lay copies of it, together with his report on it, before Parliament.

Statement of Accounting Officer's responsibilities

Under the Social Security Administration Act 1992, HM Treasury has appointed me, the Permanent Secretary of the Department for Work and Pensions, as the Accounting Officer for the Social Fund and has directed me to prepare for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction (Annex page 23). The accounts are prepared on a receipts and payments basis (including a Statement of Balances), and are properly presented, with notes to explain the financial basis, a statement of loans including an analysis of age of loans outstanding, a statement of losses and the policy on maintaining a standing balance.

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

- observe the Accounts 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;
- state whether applicable accounting standards as set out in the FReM have been followed, disclose and explain any material departures in the accounts and;
- prepare the Account on a going concern basis

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that Social Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that the Social Fund Account 2021-22 is as a whole, fair, balanced and easy to understand. I take personal responsibility for the Social Fund Account and the judgements required for determining that it is fair, balanced and understandable.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Social Fund's assets, are set out in 'Managing Public Money', published by HM Treasury.

Peter Schofield
Accounting Officer
05 December 2022

The Social Fund Governance Statement 1 April 2021 – 31 March 2022

The Department for Work and Pensions (DWP) Accounting Officer System Statement (AOSS), available on www.gov.uk, sets out how the Permanent Secretary fulfils his responsibilities as Principal Accounting Officer, and describes the accountability system in place for the Department's expenditure which includes the Social Fund. The Department's governance statement in the DWP Annual Report and Accounts 2021-22⁸ provides assurance on how the system of control has operated during 2021-22. The statement outlines the Departmental Board's performance and its assessment of effectiveness, information regarding quality of information presented to the board and any committee reports.

Detail of Departmental Board membership attendance and activity is also available within the DWP Annual Report and Accounts 2021-22.

The System of Control

We are governed by

1. the Secretary of State's overall responsibility for the Department and its public bodies;
2. the Permanent Secretary's responsibility, both to the Secretary of State and directly to Parliament, as the Accounting Officer for the Department's expenditure and management; and
3. the Departmental Board's collective responsibility for advice on strategic and operational issues, and for scrutinising and challenging policies and performance

The System of Control also includes the departmental board sub-committees, details of which can be found in the DWP Annual Report and Accounts.

Risk, Controls & Compliance

As detailed in the 2020-21 Social Fund Account, at the beginning of the COVID-19 pandemic a number of easements were put in place to reduce the impact on Service Delivery. Easements put in place for Funeral Expense Payments have now been implemented permanently as agreed by HM Treasury.

For the Sure Start Maternity Grant easement as the pandemic restrictions have been lifted there was little need for the emergency protocol procedure whereby alternative source of evidence to determine entitlement were allowed. Therefore, this easement was removed and reverted to the original pre-pandemic processes.

⁸ DWP Annual Report and Accounts 2021-22 is available at www.gov.uk

We are monitoring and reviewing stored loan records and associated document retention policies to ensure compliance with General Data Protection Regulation (GDPR). Issues are discussed at the Data Protection Governance Board.

The Social Fund is subject to the same governance and risk management as set out in the Governance Statement within the DWP Annual Report and Accounts 2021-2022. There are no further specific Social Fund risks or control issues to report.

Regularity

Where payments are not made in accordance with the legislation they are irregular. The Department continues to keep the regularity of payments under review to ensure continual improvements are identified and developed. The Department's Quality Assurance Framework (QAF) aims to raise the standard of decision making, involves the stakeholders and includes a thorough and reasoned check of the standard of decision making.

As part of the annual audit of the Social Fund Account, testing of payments was carried out to check for compliance with the Secretary of State directions and regulations. This is to provide an estimate of the level of irregularity in Social Fund payments. In 2021-22 the Department estimated the gross level of irregularity within Social Fund benefit payments as £51.295 million (2020-21 £0.661 million) which is 2.2% of total Social Fund expenditure. The majority of the estimate relates to errors found in Winter Fuel Payments, £50.4 million, of which £41.3 million were related to overpayments and -£9.1 million to underpayments. The gross upper error limit of this estimate was £82.2 million. During testing of Winter Fuel Payments, we identified we had paid some eligible customers more than they were entitled as we did not take account of other eligible pensioners residing with them. We also identified a number of pensioners who had received less than the amount they were eligible for as we incorrectly classified them as living with other eligible pensioners. We are reviewing the Seasonal Payment Service, its data sourcing and associated processes to prevent these irregularities in the future.

We also found -£0.838 million (2020-21 £0.475 million) of underpayments in Funeral Expense Payments. In line with last year, we have seen a further improvement in the number of FEP errors due to the impact of simplifications in the FEPs assessment process. The remaining £0.057 million (2020-21 £0.186 million) of estimated gross irregular expenditure was from non-referral of debt where overpayments have occurred.

Following HM Treasury approval, we wrote off £187,500 Cold Weather Payments relating to 2020-21 and £500 relating to 2021-22. Due to the timing of HM Treasury approval the amount was disclosed in last year's Social Fund Account but the actual write off has taken place in 2021-22. These payments were made to citizens who are in receipt of Universal Credit but are believed to be resident in residential care homes. The Universal Credit computer system does not currently have the facility to identify and prevent payments to these ineligible customers. This will be rectified when Cold Weather Payments move to the Seasonal Payment Service.

The departmental fraud and error activities included in the DWP Annual Report and Accounts include actions taken to resolve issues with the Social Fund. We will continue to review our systems and procedural controls. Regular updates on progress against audit recommendations will be made to Departmental Audit Risk and Assurance Committee and NAO during 2022-23.

Audit and other reports to management

The Government Internal Audit Agency (GIAA) provides overall assurance over key areas of departmental performance.

There were no GIAA reviews relating to Social Fund in 2021-22.

Peter Schofield
Accounting Officer
05 December 2022

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Social Fund for the year ended 31 March 2022 under the Social Security Administration Act 1992. The financial statements comprise: the Receipts and Payments Account, the Statement of Balances, and the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the Social Security Administration Act 1992 as interpreted by the Accounts Direction issued by HM Treasury thereunder.

In my opinion, the financial statements:

- properly present the Social Fund's receipts and payments for the year ended 31 March 2022; and
- have been properly prepared in accordance with the Social Administration Act 1992 and HM Treasury directions issued thereunder.

Qualified opinion on Regularity

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion on Regularity, in all material respects the income and expenditure 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.

Details of my qualified opinion are set out in my accompanying report.

Basis for opinion on the financial statements

I conducted my audit in accordance with International Standards on Auditing (UK) (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 Social Fund and the Department of Work and Pensions- 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.

Basis for Qualified Opinion on Regularity

In the year to 31 March 2022, the Social Fund paid £1,975 million in Winter Fuel Payments. Although accounted for properly, I estimate that £50.4 million of payments (both over and underpayments) were not made in accordance with the Social Fund Winter Fuel Payment Regulations 2000. This amount is material to my regularity opinion. These Winter Fuel Payments have been made outside of the relevant legislative terms because of the Department of Work and Pensions making decisions based on inaccurate customer data.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Social Fund'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 Social 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 and the Governance Statement. 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, based on the work undertaken in the course of the audit

- the parts of the Foreword to be audited have been properly prepared in accordance with HM Treasury directions made under the Social Security Administration Act 1992; and
- the information given in Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Social Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and the Governance Statement. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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:

1. maintaining proper accounting records;
2. the financial statements and Annual Report are properly presented in accordance with the applicable financial reporting framework; ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;

3. preparing the Foreword, in accordance with the Social Security Administration Act 1992 and with directions made by HM Treasury;
4. internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
5. assessing the Social 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 Social Security Administration Act 1992.

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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Social Fund's accounting policies;
- Inquiring of management, the Government Internal Audit Agency and those charged with governance, including obtaining and reviewing supporting documentation relating to the Social Fund's 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 Social Fund and the Department of Work and Pension's controls relating to the Social Fund and the Department's compliance with the Social Security Administration Act 1992, Managing Public Money and other relevant benefit legislation and regulations.
- discussing among the engagement team and involving relevant internal specialists how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Social Fund for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, bias in management estimates and irregular Social Fund payments and loans. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Social Fund's framework of authority as well as other legal and regulatory frameworks in which the Social Fund operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Social Fund. The key laws and regulations I considered in this context included the Social Security Administration Act 1992, Managing Public Money and other relevant benefit legislation and regulations.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Internal Audit and the Audit Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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; and

- in addressing the risk of fraud and error in Social Fund payments and loans, testing a sample of these to assess compliance with the relevant laws and regulations and to evaluate the level of error and non-compliance.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists 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.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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

Further details of my modified opinion are provided on page 17.

Gareth Davies

Date 12 December 2022

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria London

SW1W 9SP

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

Introduction

1 The Department for Work and Pensions (the Department) is responsible for managing the Social Fund under the Social Security Administration Act 1992. The Social Fund White Paper Account (the Account) is a White Paper Receipts and Payments Account administered by the Department in accordance with the directions issued by HM Treasury under the Social Security Administration Act 1992.

The purpose of my report

2 The purpose of this report is to explain the circumstances which led me to qualify my audit opinion on regularity on the 2021-22 Social Fund White Paper Account.

Qualified opinion on regularity due to irregular Winter Fuel Payments

3 Winter Fuel Payments are paid to eligible pensioners in accordance with the Social Fund Winter Fuel Payment Regulations 2000 which outline the criteria for eligibility and value of payments. Payments are largely determined by residential status (including whether customers live alone or in care homes). The Department relies on the accuracy of existing customer address data it holds to determine eligibility for awarding automatic Winter Fuel Payments. In the 2021-22 Account there were c. £2bn of Winter Fuel Payments.

4 My audit approach for this area included selecting a statistical sample of Winter Fuel Payments made in year and confirming amounts and eligibility were in line with the relevant legislation. My testing identified several overpayment errors within the Winter Fuel Payments population. Due to the level of errors identified by my testing, the Department performed its own more extensive sample exercise over the Winter Fuel Payment population to assess the level of error that may exist.

5 Through its sampling exercise the Department identified 12 Winter Fuel Payments which did not conform to the Social Fund Winter Fuel Payment Regulations 2000. These errors related to automatic payments as a result of the Department holding inaccurate customer address data and manual errors by case workers making erroneous duplicate payments. The errors identified were both over and underpayment errors.

6 The estimated total gross misstatement arising from these errors is £50.4 million which consists of £41.3 million overpayments and £9.1 million underpayments. I consider this amount to be material to my regularity opinion. I have therefore qualified my regularity opinion on the Account. This qualification pertains only to Winter Fuel Payments population.

Action from the Department

7 Following the identification of these issues, the Department have put in place additional controls to improve the quality of customer data held within its systems. These include timelier matching of data to allow errors to be corrected before payments are made. Additional controls have also been implemented over manual payments that are made by case workers.

8 The Department has also commissioned the Government Internal Audit Agency to perform a post payment review to identify and enable it to correct error within 2022 Winter Fuel Payments which were made in mid-November 2022. The results of this review are expected before 31 March 2023.

9 In my audit of the 2022-23 accounts, I will evaluate the effectiveness of the Department's actions in establishing the regularity of Winter Fuel Payments.

Gareth Davies

Date: 12 December 2022

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria London

SW1W 9SP

Receipts and Payments Account for the year ended 31 March 2022

	2021-22 £000	2020-21 £000
Receipts		
Receipts from the Secretary of State Regulated	74,767	178,025
Winter Fuel Payments (Regulated)	1,974,346	1,967,359
	<u>2,049,113</u>	<u>2,145,384</u>
Repayments of Budgeting Loans	350,199	279,447
Repayments of Crisis Loans	15,942	10,244
Repayments of Funeral Expenses Payments	677	465
Refund of Social Fund Overpayments Discretionary	1,349	1,022
Refund of Social Fund Overpayments Regulated	636	267
	<u>2,417,916</u>	<u>2,436,829</u>
<i>Less</i>		
Payments		
<i>Discretionary</i>		
Budgeting Loans	303,209	238,752
Crisis Loans	(22)	(30)
<i>Regulated</i>		
Winter Fuel Payments	1,974,616	1,957,667
Funeral Expenses Payments	49,197	62,486
Sure Start Maternity Grants	25,654	27,905
Cold Weather Payments	439	98,763
	<u>2,353,093</u>	<u>2,385,543</u>
Excess of receipts over payments prior to repayment	<u>64,823</u>	<u>51,286</u>
<i>Less</i>		
Repayment of surplus funds by SoS to HM Treasury	<u>0</u>	<u>0</u>
Total excess receipts over payments / (payments over receipts)	<u>64,823</u>	<u>51,286</u>

Statement of Balances as at 31 March 2022

	2021-22 £000	2020-21 £000
Opening Balance	312,086	260,800
Excess receipts over payments after repayment to HMT	<u>64,823</u>	<u>51,286</u>
Closing Balance	<u>376,909</u>	<u>312,086</u>

The Notes on pages 20 to 23 form part of this Account.

Peter Schofield
Accounting Officer
05 December 2022

Notes to the Account

1. Accounting Policies

The Account is prepared per the accounts direction which is provided by HM Treasury in accordance with section 167(4) of the Social Security Administration Act 1992. This Account has been prepared on a cash basis with no provision for accruals. The figures for 2020-21 are given for comparison and are taken from the Account for that year (House of Commons Paper No.558 of 2020-21).

2. Financial basis of the Social Fund

Payments from the Fund are split into two broad categories, discretionary and regulated. Historically, discretionary payments have comprised of Budgeting Loans, Crisis Loans, and Community Care Grants and were cash limited. The Welfare Reform Act 2012 abolished the Discretionary Fund on 31 March 2013. Payment of Budgeting Loans will continue until the full roll out of Universal Credit to help those still receiving the current income related benefits.

Where the customer has moved to or from Northern Ireland (NI), the transfer of customer debt is recorded as payments of Crisis Loans and Budgeting Loans in the receipts and payments schedule. Under current legislation a reciprocal arrangement between Great Britain and NI allows a customer debt to move to or from NI with the customer, this enables collection of the debt through the host country's benefit system. For 2021-22 these transfers have resulted in a small negative payment relating to Crisis Loans due to customers transferring from Great Britain to Northern Ireland.

Regulated payments are Sure Start Maternity Grants and Funeral Expenses Payments, which are demand led, and Cold Weather Payments and Winter Fuel Payments, which are paid to qualifying customers.

Section 78(1) of the Social Security Administration Act 1992 provides that, an award from the Social Fund, which is repayable, shall be recovered by the Secretary of State. The ongoing discretionary Social Fund is financed by these recoveries and, the Regulated Fund is financed by the Secretary of State. In addition, section 78(4) of the Act provides that payments to meet funeral expenses may be recovered from the estate of the deceased.

3. Statement of Loans and Funeral Expenses Payments

Statement of Loans/FEP

	Budgeting Loans	2021-22		Total	2020-21
		Crisis Loans	Funeral Expenses Payments		Total
	£000	£000	£000	£000	£000
Amount outstanding at 1 April 2021	259,257	90,148	23,588	372,993	411,458
Amount loaned	303,209	(22)	49,197	352,384	301,208
Transferred to overpayments	(1,041)	(174)	(17)	(1,232)	(920)
Amount recovered	(350,199)	(15,942)	(677)	(366,818)	(290,156)
Adjustments and amounts written off	(1,866)	(837)	(43,772)	(46,475)	(48,597)
Amount outstanding at 31 March 2022	209,360	73,173	28,319	310,852	372,993

The amount for loans outstanding at 31 March 2022 shown in this note is based on cumulative loans and repayments disclosed in the Receipts and Payments Account less accounting adjustments and amounts written off. The statement of loans reflects the gross total debt balance before impairment, not all of which we consider recoverable. Please see the Recoverability of Debt section in the Foreword.

Crisis Loans have not been payable in Great Britain since April 2013. The balance for amounts loaned for Crisis Loan debt is relating to customers transferring from Great Britain to Northern Ireland.

The amount outstanding also incorporates £174,000 of loans showing a credit balance. This credit represents over recovery, which we will seek to repay to the customer. Where we have been unable to trace the customer to make a repayment to them, the Department will retain the liability for six years. If at that point no repayment has been able to be made, action would be taken to clear the credit balance.

The decrease in 2021-22 adjustments and write-offs was due to the decrease in Funeral Expense Payments compared with the COVID-19 pandemic, at its peak in 2020-21.

Social Fund continues to pursue recovery of Funeral Expenses Payments where there is an estate, or a likelihood of one, but for applications where no estate or other asset is declared, abandonment action is taken immediately.

4. Age of Loans and Funeral Expenses Payments Analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2022, £14,785 million loans have been paid. Over this period, £14,196 million of these loans have been recovered and £294 million written off. This, and other adjustments, leaves a balance of £311 million outstanding at 31 March 2022. Loans are normally recovered by deduction from Social Security benefits including State Pension and where this is not possible, by instalments through other means e.g. direct debit or deduction from earnings. Where a customer has more than one loan, the earliest loan is normally recovered first, with recovery of later loans following automatically. A number of loans

may take several years to recover fully and recovery procedures and arrangements continue to be kept under review.

An analysis of age of loans and Funeral Expenses Payments outstanding is summarised below:

Age of Loan/Funeral Expenses Payments

	2021-22			Total	2020-21
	Budgeting Loans	Crisis Loans	Funeral Expenses Payments		Total
	£000	£000	£000	£000	£000
Five years and over	61,063	73,173	124	134,360	163,093
Between one year and five years	47,743	-0	17,421	65,164	82,646
Less than one year	100,554	0	10,774	111,328	127,254
	<u>209,360</u>	<u>73,173</u>	<u>28,319</u>	<u>310,852</u>	<u>372,993</u>

5. Statement of losses

Social Fund losses have been fully disclosed in the Accountability Report within the Department's Annual Reports and Accounts⁹.

6. Statement of assets and liabilities

	Liabilities £'000	Assets £'000
Government Banking Service		364,247
Net balance with the Parliamentary Vote		12,186
Net balance with DWP Administration		2
Net balance with the National Insurance Fund		449
Other Government Creditors / Debtors (NET)	(25)	
Balance of Social Fund	376,909	
	<u>376,884</u>	<u>376,884</u>

The Balance of Social Fund represents the cumulative excess of receipts over payments since the inception of the Fund. The equity balance is held as a liability, representing payable accounts which includes repayments back to HM Treasury.

The Government Banking Service is a shared government function which provides critical banking services across central government and for wider public sector customers. The net balance with the parliamentary vote is money owed to working-age benefits and the Pension Service.

⁹ DWP Annual Report and Accounts 2021-22 will be available at www.gov.uk

A minimum balance is kept in the bank as a contingency; this was set at £25 million with the approval of HM Treasury. Due to the uncertainty in both demand and recoveries beyond 2021-22, the Department has retained a closing bank balance that is larger than usual. We continue to work jointly with HM Treasury during 2021-22 to agree an appropriate balance for the coming year.

Events after the Reporting Date

There were no events after the reporting period.

The Accounting Officer authorised these financial statements for issue on the same date that the Comptroller and Auditor General signed his Certificate.

Annex

Accounts Direction given by HM Treasury in accordance with section 167(4) of the Social Security Administration Act 1992

1. The Treasury in accordance with section 167(4) of the Social Security Administration Act 1992 hereby gives the following direction.
2. The statement of account, which it is the duty of the Department for Work and Pensions under section 167(4) of the Act in respect of the transactions of the Social Fund, shall be prepared for the financial year ended 31 March 2022 and each subsequent financial year, and shall comprise:
 - i. a foreword
 - ii. an account of receipts and payments
 - iii. a statement of balances

and shall include any such notes as may be necessary for the purposes referred to in the attached schedule.

3. The Accounting Officer shall observe relevant accounting and disclosure requirements in the Government Financial Reporting Manual (FReM), in so far as it applies to a receipts and payments account, and any other guidance issued by HM Treasury, as amended or augmented from time to time.
4. The format of the statement of account and the disclosure requirements are in the attached schedule.
5. The Accounting Officer shall sign the foreword and account.
6. The Accounts Direction shall be produced as an annex to the accounts.

**Michael Sunderland,
Deputy Director,
Government Financial Reporting,
HM Treasury,
26 January 2021**

Schedule – Format of Account and Disclosure Requirements

- 1 The foreword shall state that the account has been prepared in accordance with a direction issued by Treasury in pursuance of section 167(4) of the Act. The foreword will also include details of the following:
 - (a) a brief history of the Social Fund and its Statutory background;
 - (b) categories of payment;
 - (c) financial performance;
 - (d) the preparation and laying before each House of Parliament of the Secretary of State's annual report on the Social Fund under paragraphs (5) and (6) of section 167 of the Act;
 - (e) audit arrangements; and
 - (f) Responsibilities of the Accounting Officer

- 2 The receipts and payments account and statement of balances shall conform to the formats shown in the Annex, although minor variations may be made.

- 3 The notes shall include:
 - (a) an explanation of the financial basis of the Social Fund;
 - (b) a statement of loans including an age analysis of loans outstanding;
 - (c) a statement of losses; and
 - (d) the policy on maintaining a standing balance.

Receipts and Payments Account for the year ended 31 March XXXX

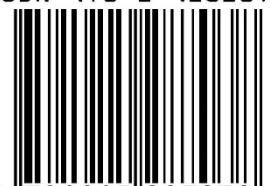
	£'000	20XX-XX £'000	20XX-XX £'000
Receipts			
Receipts from the Secretary of State			
Discretionary			
Regulated			
Winter Fuel Payments (Regulated)			
Repayments of Budgeting Loans			
Repayments of Crisis Loans			
Repayments of Funeral Expenses Payments			
Refund of Social Fund Overpayments Discretionary			
Refund of Social Fund Overpayments Regulated			
<i>Less</i>			
Payments			
<i>Discretionary</i>			
Budgeting Loans			
Crisis Loans			
Community Care Grants			
<i>Regulated</i>			
Winter Fuel Payments			
Funeral Expenses Payments			
Sure Start Maternity Grants			
Cold Weather Payments			
Excess of receipts over payments/ (Excess of payments over receipts) prior to repayment			
<i>Less</i> Repayment of Surplus Funds by Secretary of State to HM Treasury			
Total Excess of receipts over payments/ (Excess of payments over receipts) after repayment			

Statement of Balances

	20XX-XX £'000	20XX-XX £'000
Opening Balance		
<i>Plus</i>		
Excess of receipts over payments after repayment		
<i>Less</i>		
(Excess of payments over receipts after repayment)		
Closing Balance		

The Notes on pages x to x form part of this Account.

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