



Department  
for Work &  
Pensions

# Client Funds Account 2015/16

## 2012 Child Maintenance Scheme

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

Ordered by the House of Commons to be printed 16 December 2016

HC 856





# Client Funds Account 2015/16

2012 Child Maintenance Scheme

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

Ordered by the House of Commons to be printed 16 December 2016

HC 856



© Crown copyright 2016

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at:

<https://www.gov.uk/government/collections/child-maintenance-client-funds-accounts>

Any enquiries regarding this publication should be sent to us at:

**External Communications Team  
Child Maintenance  
Department for Work and Pensions  
Caxton House  
Tothill Street  
London  
SW1H 9NA**

Print ISBN 9781474139250

Web ISBN 9781474139267

ID 30111609 12/16

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

## Contents

<b>Foreword</b>		<b>3</b>
<b>Chapter 1</b>	<b>Management commentary</b>	<b>4</b>
<b>Chapter 2</b>	<b>Statement of Accounting Officer's responsibilities</b>	<b>8</b>
<b>Chapter 3</b>	<b>Governance Statement</b>	<b>9</b>
<b>Chapter 4</b>	<b>Certificate of the Comptroller and Auditor General to the House of Commons</b>	<b>11</b>
<b>Chapter 5</b>	<b>Report by the Comptroller and Auditor General to the House of Commons</b>	<b>14</b>
<b>Chapter 6</b>	<b>Receipts and Payments Statement for the year ended 31 March 2016</b>	<b>17</b>
<b>Chapter 7</b>	<b>Statement of Balances as at 31 March 2016</b>	<b>18</b>
<b>Chapter 8</b>	<b>Notes to the account for the year ended 31 March 2016</b>	<b>19</b>

## 2 Client Funds Account 2015/16 2012 Child Maintenance Scheme

# Foreword

The Department for Work and Pensions is responsible for the management of client funds relating to both the 2012 statutory child maintenance scheme operated by the Child Maintenance Service and 1993 and 2003 schemes operated by the Child Support Agency. These schemes support children by collecting money from the paying parent (known as “non-resident parents” in the 1993/2003 schemes) and paying these funds to the receiving parent (known as “parents with care” in the 1993/2003 schemes).

The Department is required, by Her Majesty’s Treasury, to publish a Client Funds Account which is separate from the accounts for the rest of its activities. This account covers the 2012 statutory scheme, while the 1993 and 2003 statutory schemes are covered in their own separate published accounts. 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, with rationale for these opinions explained in his report. His opinion on both the truth and fairness of the ‘Outstanding Maintenance Arrears’ note and on whether the account has been properly prepared are unqualified. He has, however, qualified his regularity opinion on the receipts and payments statement based upon the assessment accuracy rates of receipts and payments being achieved on the 2012 statutory scheme in the year to March 2016. There has been a material improvement in accuracy in the first half of 2016–17.

**Robert Devereux**  
**Principal Accounting Officer**

**Date: 6 December 2016**

# 1

## Management commentary

### 1.1 Major reforms

The Department continues to make great progress in delivering the Government's major reforms to child maintenance. Through the provision of more support for separated families to work together and reach family-based arrangements, and an efficient statutory child maintenance service with effective enforcement, for those that need it, the Department is determined to maximise the number of effective maintenance arrangements for children who live apart from one or both of their parents.

The Department has invested in a range of measures to support family stability through a range of pre and post separation services. These services support couples to build and maintain healthy relationships, and improve parenting. They are currently delivered by organisations in the charitable / voluntary sector.

Supporting families is central to the Government's social justice ambition and stretches across several departments. We therefore work closely with the Department of Health, the Ministry of Justice, the Department for Education and the Department for Communities and Local Government. Services include the Sorting Out Separation web application which is designed to help parents identify their needs and signpost them to trusted information, tools and services, with more than 300 signposts to over 50 different organisations.

The Help and Support for Separated Families Mark has been awarded to over 500 individuals and organisations who have demonstrated that their services support parents to work together to resolve disputes (where it's appropriate and safe to do so) and help them focus on the interests of their children.

The Child Maintenance Options service continues to help separated parents make informed choices about their child maintenance arrangements, with around 193,000 children benefitting from an effective maintenance arrangement as at March 2016 following contact with Child Maintenance Options.

Where parents are unable, or it is not appropriate, to come to their own family based arrangement, the 2012 scheme offers one simple assessment based on gross income and benefits in payment. The system supporting the scheme retrieves this data automatically from HMRC and the Department's benefits systems to carry out the assessment calculations. Application fees and enforcement charges were introduced for the 2012 Scheme on 30 June 2014, with on-going collection charges being introduced from 11 August 2014. These form part of a package of incentives to encourage collaboration where possible, and better compliance among non-resident parents, and to reduce costs for the taxpayer.



Once parents have made an application to the 2012 scheme, both parents can usually avoid on-going collection charges entirely by using the Direct Pay service, where parents organise payments between themselves based upon a Child Maintenance Service calculation. This can be a step towards a more collaborative relationship. It is encouraging to see that, at March 2016, 7 out of 10 parents using the statutory scheme chose to pay their maintenance directly and not rely on state intervention.

Where parents are unable or unwilling to collaborate they can use the Collect and Pay Service, though collection charges will then apply.

The other key element to the child maintenance reforms is the closure of existing Child Support Agency 1993 and 2003 scheme cases, which we expect to affect around 800,000 cases with an existing liability. We continue to make good progress on the closure of CSA cases. By March 2016 540,000 cases had been selected for case closure, of which 396,000 cases had had their legal responsibility to pay regular child maintenance through the Child Support Agency ended and were being contacted about any outstanding arrears.

By being given the opportunity to look at their child maintenance arrangements again, many parents will decide they do not need state intervention, leaving the 2012 scheme with a reduced caseload that can be run more effectively, ensuring more money for more children, while also reducing costs for the taxpayer.

## 1.2 Performance during 2015/16 – 2012 scheme

The caseload at 31 March 2016 was 244,600. At that point 87.5 per cent of case groups were contributing towards their current liability.

Parents using the Child Maintenance Service (CMS) may elect to use either the Direct Pay or the Collect and Pay service.

CMS calculate the amount of maintenance due (after assessment of the case) and will action changes in circumstances and conduct an Annual Review, obtaining income for the latest complete tax year from HMRC.

A case is classed as Direct Pay if the paying parent pays maintenance direct to the receiving parent. If payments are made via the CMS, the case is classed as Collect and Pay. The use of Direct Pay is incentivised through on-going collection fees for those who use the Collect and Pay Service.

In total, the Department estimates that £225.2 million (2014/15 £99.8 million) was paid between parents:

- £195.1m through Direct Pay (2014/15, £78.1m) and,
- £ 30.1m through Collect and Pay (2014/15, £21.7m).

## 1.3 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. At 31 March 2016, 70 per cent of those parents due to pay their liability as assessed by the CMS were using Direct Pay rather than the collection service.

Payments due under Direct Pay are considered to be made in full and on time unless the Child Maintenance Service is informed otherwise. Where a payment is reported as missed, both clients are asked to provide evidence of the missed payment. In cases where it is deemed the paying parent 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 arrears, including arrears accrued while the case was in Direct Pay.

### 1.4 Collect and Pay

#### 1.4.1 Receipts of child maintenance from Paying Parents

During 2015/16, 0.4 million (2014/15, 0.2 million) individual receipts were recorded. Total monies received were £30.1 million (2014/15, £21.7 million) with 100 per cent of receipts by volume received electronically.

#### 1.4.2 Payments of child maintenance to Receiving Parents

During 2015/16, 0.4 million (2014/15, 0.2 million) individual payments were made to receiving parents with a total value of £29.0 million (2014/15, £21.4 million). Every payment is made by funds transferred electronically to clients' bank accounts.

Funds paid out were less than those received. Maintenance monies received are paid to receiving parents as quickly as possible subject to normal banking clearance cycles if a method of payment has been supplied by the receiving parent, but there are occasions where funds are pending allocation to a case. This leads to the Child Maintenance Service holding a cash balance at 31 March 2016 of £2.7 million, equating to 7 per cent of the funds received during the year (31 March 2015, £1.2 million, 5 per cent).

#### 1.4.3 Outstanding arrears of child maintenance

In addition to reporting the receipts and payments of maintenance monies, the Department is required to report on the value of outstanding child maintenance arrears.

Outstanding child maintenance totalled £55.8 million at 31 March 2016 (March 15, £25.9 million) which was owed by paying parents to receiving parents. This compares favourably to the position on previous schemes after the same period of operation: £317.8m on the 1993 Scheme and £290.7m for the 2003 Scheme.

#### 1.4.4 Statutory Child Maintenance Scheme costs, fees and charges

Non-child maintenance receipts of £8.5 million collected during 2015/16 (2014/15, £2.9 million) related mainly to fees and charges. The administrative cost of the CMS in collecting these fees is reported as part of the Child Maintenance Group costs within the Department for Work and Pensions Resource Accounts.

#### 1.4.5 Collectability

All outstanding arrears on the 2012 scheme have been reported as collectable to 31 March 2015 due to how recent most of the arrears were on the system. The Department has reviewed this assumption and still believes it appropriate to report all arrears on the 2012 scheme as collectable. The Department will undertake a review of collectability in 2016/17.

## 1.5 Assessment accuracy

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

Assessment accuracy compares the aggregate weekly value of correct and incorrect assessments to calculate the percentage of accurate cases. For the year to 31 March 2016, the reported accuracy was 98.1% (14/15, 97.9%).

Accuracy of assessment is expected to improve over time as caseworkers become more familiar with the system but also due to the impact of increasing volumes of automated calculations, particularly Annual Reviews. This is where each case is updated after 12 months with the latest gross income which is usually sourced automatically from HMRC. Reported accuracy in each month from April to September 2016 is around 99%.

**Robert Devereux**  
**Principal Accounting Officer**

**Date: 6 December 2016**

# Statement of Accounting Officer's responsibilities

# 2

As Principal Accounting Officer of the Department, I have responsibility for the 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 accounts, the Accounting Officer is required 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; and,
- make judgements and estimates on a reasonable 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 Managing Public Money published by the HM Treasury.

I confirm that there is no relevant audit information that the National Audit Office have 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.

**Robert Devereux**  
Principal Accounting Officer

**Date: 6 December 2016**

# Governance Statement

# 3

## 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 Child Maintenance Service (CMS), part of the Child Maintenance Group. For the financial year ending with 31 March 2015, and each subsequent financial year, the Department must prepare a Client Funds Account through the CMS for the 2012 Scheme, in accordance with an 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 2016 relate to the Child Maintenance Group as part of the Department. This statement covers topics which are specific to the CMS operating within the Department

On 10 December 2012, the Department launched the 2012 statutory child maintenance scheme, delivered by the CMS. Cases on the existing 1993 and 2003 schemes are being gradually closed, requiring parents to choose between making their own, family-based arrangement or putting in an application to the CMS. Although outstanding arrears balances on some cases are transitioning from 1993 and 2003 systems to the CMS 2012 system, these arrears relate to, and will be reported in, the Client Funds Account for the 1993 and 2003 schemes.

From 30 June 2014, a £20 application fee was introduced for the parent applying to the 2012 Scheme (with the exception of cases where the applicant is: under 19 years of age, a resident in Northern Ireland, or they are or have been a victim of domestic violence). Charging for new enforcement action was also introduced.

From 11 August 2014, all 2012 Scheme clients who use the Collect & Pay service pay collection fees. Parents can avoid collection fees completely if they choose to set up a family-based arrangement or pay by Direct Pay. The charging structure introduced adds 20% to each of the paying parents' usual child maintenance amounts and deducts 4% from each of the receiving parents' usual child maintenance amounts.

The introduction of charging for our services aims to encourage clients to make an active choice about their child maintenance arrangements rather than automatically default to the statutory service. The intention is that only those clients who are unable to reach a family-based arrangement or where the paying parent has failed to pay using Direct Pay turn to the Collect & Pay statutory service.

The Case Closure Programme began in 2014 and all Child Support Agency (CSA) clients are being contacted in a phased approach and asked to consider if they would like their arrears managed by CMS on the 2012 system or written off. The intention being that all cases will be closed over the next three years or so, and the CSA computer systems decommissioned.

Financial controls exist to ensure the values migrating between systems are accurately received and correctly attributed as either due to the parent with care or the Secretary of State (for cases where benefits were in payment prior to 2008).

The 2012 scheme uses new operational, processing and accounting systems, and is maintained on a new platform entirely separate from the systems supporting the 1993 and 2003 schemes. Significant improvements in financial control are being delivered through the accounting systems used for the 2012 scheme.

## 2 Control challenges: 2012 Scheme

The 2012 Scheme is facing a small number of control challenges. Caseworkers are still learning and gaining experience with a new computer system and its processes; the accuracy of assessments made by caseworkers on the 2012 system is still improving and expected to improve further over time. There are also a number of initiatives in progress to deliver targeted improvements in system functionality and the quality of caseworker actions.

The Child Maintenance Group is working with the Department for Work and Pensions Operational Excellence Directorate, which manages assurance work carried out on the CMS 2012 system, to ensure that the automated interfaces and calculations are fully tested and reflected in the accuracy figure.

Increasing availability of Management Information will also contribute to improving accuracy through increased transparency of the CMS 2012 system.

### 2.1 Assessment Accuracy

Assessment accuracy for 15/16 is 98.1% (14/15, 97.9%). This compares favourably with the accuracy of the 1993 Scheme (63%) and 2003 Scheme (81%) after three years of operation and is expected to rise as caseworkers become increasingly competent, caseload grows and the volumes of automated decisions increase.

### 2.2 Information Security

This control challenge is to protect the growing amount of sensitive personal data necessary to assess and pay child maintenance while at the same time making efficient use of that data. The Department's information security risk appetite formally remains low.

The system introduced to manage the 2012 Scheme brings with it certain new risks due to the interfaces employed and client / employer web access to the system. The Department's Security Accreditation Team has reviewed the documentation supporting security accreditation for CMS 2012 in accordance with Her Majesty's Government standard information security requirements. They found the system met current security requirements with an acceptable level of risk.

### 2.3 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 will be updated with plans to increase the range and assurance levels of published data. Experimental Official statistics are published quarterly. The range of statistics included in the Experimental statistics has grown since the inception of the scheme.

<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 management information to control the processing of applications, changes of circumstances and other business activities.

The MI that we have has enabled us to stay in control of work intake, avoid backlogs and deliver agreed levels of service. The focus in the coming year is to improve MI on arrears and enforcement activity.

# Certificate of the Comptroller and Auditor General to the House of Commons

# 4

I have audited the Client Funds 2012 scheme Account for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Receipts and Payments Statement, the Statement of Balances and the related notes. This account has been prepared in the form directed by Her Majesty's (HM) Treasury. These financial statements have been prepared under the accounting policies set out within them, namely:

- Note 5, detailing outstanding maintenance arrears, which has been prepared on an accruals basis; and
- All other sections of the financial statements, which are prepared on a cash basis.

## Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer of the Department for Work and Pensions (DWP) is responsible for the preparation of the Client Funds 2012 scheme Account in accordance with the HM Treasury Direction.

My responsibility is to audit the account in accordance with the Government Resources and Accounts Act 2000 and I provide three opinions on the financial statements:

- On Note 5, 'Outstanding Maintenance Arrears', I provide an opinion as to whether the note gives a true and fair view of the outstanding maintenance arrears;
- On all sections other than Note 5 'Outstanding Maintenance Arrears', I provide an opinion as to whether the account properly presents the receipts and payments of the Client Funds 2012 scheme Account and the cash balances held and that the account has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions thereunder; and
- For all sections of the financial statements, I provide an opinion as to whether in all material respects the expenditure and income 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.

I conduct my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the account sufficient to give reasonable assurance that the account is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Client Funds 2012 scheme Account and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the DWP in respect of the account; and the overall presentation of the account.

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

## Opinions

### **Note 5: 'Outstanding Maintenance Arrears'**

#### **Unqualified opinion on Note 5 'Outstanding Maintenance Arrears'**

In my opinion, Note 5 to the account gives a true and fair view of the outstanding maintenance arrears as at 31 March 2016.

### **All sections other than Note 5, 'Outstanding Maintenance Arrears'**

#### **Unqualified opinion on the Receipts and Payments Statement**

In my opinion:

- The account properly presents the receipts and payments of the Client Funds 2012 scheme Account for the year ended 31 March 2016 and the cash balances held as at 31 March 2016; and
- The account has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions thereunder.

#### **Qualified opinion on regularity**

In my opinion, except for the over and underpayments relating to errors in maintenance assessments, in all material respects the receipts and payments recorded in the accounts have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

#### **Basis for qualified opinion on regularity as a result of transactions not conforming with legislation**

Certain receipts from non-resident parents (and the subsequent payments to the parent with care or Secretary of State) were for incorrect amounts because of errors in the underlying maintenance assessments. Receipts of £39.9 million are shown in the Client Funds 2012 scheme Account. I estimate that errors in underlying maintenance assessments resulted in overpayments of around £278k and underpayments of around £587k, which are not in accordance with the relevant legislation.



## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the account is not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Further details of my modified opinion is provided in my report on pages 14 to 16.

**Sir Amyas C E Morse**

**Date: 8 December 2016**

**Comptroller and Auditor General**

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

# 5

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

### Introduction

The Department for Work and Pensions (the Department) is responsible for the delivery of statutory child maintenance schemes in Great Britain, and the management of client funds relating to these. In Great Britain, the Child Support Agency (CSA) 1993 and 2003 schemes and the Child Maintenance Service (CMS) 2012 statutory child maintenance scheme (the 2012 scheme) support children by collecting funds from non-resident parents and paying these funds to parents with care.

The Department is leading the schemes through a period of major reform, where the intention is that, eventually, all child maintenance cases in Great Britain are processed under the 2012 scheme. At present the Department is running the older 1993 and 2003 schemes concurrently with the new 2012 scheme while it continues to transfer cases from one to the other.

This report relates specifically to the Client Funds Account reporting on cases administered under the 2012 scheme. I have produced a separate report on the Client Funds Account that reports cases administered under the 1993 and 2003 scheme (HC855).

### Qualified opinion on Irregular Receipts and Payments

As the independent external auditor, I am required to give an opinion on whether, in all material respects, the Client Funds 2012 Scheme Account properly presents receipts and payments for the year ended 31 March 2016 and whether these transactions have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the 'regularity' opinion).

The Department is required to adhere to specific legislative requirements of the Child Support Maintenance Calculation Regulations (2012) when determining maintenance assessments and has no authority to exercise latitude. When an assessment is made that is not in accordance with these legislative requirements, the receipt and associated payment are incorrect and irregular. While the Account properly presents the amounts of child maintenance received and paid in year, I have qualified my regularity opinion on the grounds of material errors in the calculations of maintenance assessments; these assessments are not in accordance with the legislation and therefore the associated Receipts and Payments are not in line with the purposes intended by Parliament.

In 2015–16, the Department received £39.9 million. I have estimated that errors in assessments result in overpayments of child maintenance amounting to £278,122 (0.70% of receipts) and underpayments totalling £587,227 (1.47% of receipts). In 2014–15 I estimated that errors in assessments resulted in overpayments of child maintenance amounting to £305,000 (1.19% of receipts) and underpayments totalling £295,000 (1.15% of receipts).

The cases affected by overpayments are unconnected to the cases affected by underpayments, and consequently I have had to consider the gross error figures. I have therefore qualified my regularity audit opinion on the basis of the gross value of irregular receipts and payments of £865k (2.2% of receipts).

The Department's Quality and Assurance Team (QAT) carries out extensive checking of maintenance assessments each year. These checks cover both new applications for child maintenance and cases where there has been a recalculation owing to a change in circumstance. I have reviewed the findings of the QAT and have estimated the gross error rate of 2.2% in maintenance assessments using their work and findings from my audit.

My estimate for the level of over and underpayments remains unadjusted within the reported receipts and payments figures in the Account. An adjustment cannot be made to the figures because the value of over and underpayments is an accumulation of a significant number of individual incorrect maintenance assessments.

## Impact of incorrect assessments on the arrears balance

Where a non-resident parent does not make payments in accordance with their child maintenance assessment, the Department records any shortfall in the outstanding maintenance arrears balance reported in Note 5 of the Account. At 31 March 2016, the arrears balance relating to the 2012 scheme was £55.8 million.

Unlike the 1993 and 2003 Schemes, the net impact of these incorrect assessments on the arrears balance disclosed in Note 5 is not material, and so I have not qualified my opinion on the truth and fairness of this balance. I estimate that the net misstatement on the arrears balance due to incorrect misstatements is £364k, this comprises a £822k understatement and £458k overstatement of the arrears balance.

While the net position of incorrect maintenance assessments is immaterial, and I have not qualified my opinion on the truth and fairness of the arrears balance, it is essential that the Department seeks to improve the rate of accuracy of assessments. Improved accuracy rates will ensure that the arrears balance is not materially misstated, but more importantly, will avoid the negative impact that incorrect maintenance assessments have on those that use the service.

## How the Department is addressing the issues

### Automated maintenance assessments under the 2012 scheme

The 2012 scheme uses an automated interface with a HMRC customer database in order to establish various pieces of non-resident parent and parent with care details. The Department's own Quality and Assurance Team has reported that all automated case processing on initial calculations and annual renewals subject to their checking has been found to be free from error.

For any given case there may be a need for manual case worker intervention for a number of reasons, including customers contacting the Department to inform them of a change of circumstances that impacts upon their maintenance assessment. Prior to 2015–16, the Department was unable to disaggregate the remaining caseload and these cases were all included in the manual error estimate, however this year the Department has been able to identify such a disaggregation that has allowed me to take account of the improved accuracy rate as a result of automation in initial calculations and annual reviews.

The Department have also developed a new web based portal that allows a non-resident parent or parent with care to log in and update information, some of which may impact upon the assessment calculation. This then automatically feeds in to a work queue for a case worker to action but, unlike with other changes of circumstance, the change in the assessment calculation is automated. While these types of changes of circumstance are likely to be less susceptible to error, the Department's work to

prove this remains on-going and was not available for me to consider as part of the 2015–16 financial audit. As such, I have been unable to take account of this potentially higher accuracy rate in forming my opinion on the regularity of the Department's 2012 scheme account. The Department is in the process of carrying out work to demonstrate enhanced accuracy for 2016–17.

### **Improving maintenance assessment accuracy rates going forwards**

As with any significant change to a business there is likely to be a period of time before the new processes and operational ways of working are fully embedded within the organisation. The Department reported an accuracy rate of 98.1% for 2015–16 (97.9% in 2014–15) for child maintenance assessments.

The Department is working hard on addressing the level of case worker accuracy and sees the accuracy of maintenance assessments in the 2012 scheme as a priority. The Department has continued to introduce a greater element of automation into its calculations and hopes to be able to provide evidence of improved accuracy rates as a result in 2016–17.

The case load being assessed under the 2012 scheme has grown considerably since I last reported, and is set to grow even further as more customers' cases are closed on the 1993 and 2003 schemes and parents are given the option to apply to have their cases assessed under the 2012 scheme. While it is pleasing to see the small increase in accuracy rates in 2015–16, the inaccuracies in child maintenance calculations continue to have a significant negative impact upon both parents with care and non-resident parents. As the caseload grows it is becoming ever more vital that the Department continues its work to understand and improve case worker accuracy in child maintenance assessment calculations so that parents can have confidence in the quality and accuracy of service provided.

I am investigating concerns of parents and Parliament relating to case closure and will report in Spring 2017.

**Sir Amyas C E Morse**

**Date: 8 December 2016**

**Comptroller and Auditor General**

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

## 6

# Receipts and Payments Statement for the year ended 31 March 2016

	Notes	2015/16 £000s	2014/15 £000s
<b>Receipts:</b>			
Client Receipts	2	39,935	25,656
Bank Interest	3	-	-
<b>Total Receipts</b>		<b>39,935</b>	<b>25,656</b>
<b>Payments:</b>			
To receiving parents	2	28,960	21,371
Refunds to paying parents/employers	2	923	715
Statutory Child Maintenance Scheme costs, fees and charges	2	8,544	2,807
<b>Total Payments</b>		<b>38,427</b>	<b>24,893</b>
Net Receipts/(Payments)		1,508	763
Balance as at 1 April		1,180	417
<b>Balance as at 31 March</b>		<b>2,688</b>	<b>1,180</b>

# 7

## Statement of Balances as at 31 March 2016

	Notes	31 March 2016 £000s	31 March 2015 £000s
Cash Balance	4	<u>2,688</u>	<u>1,180</u>

# Notes to the account for the year ended 31 March 2016

# 8

## 1 Statement of accounting policies

The account has been prepared on a cash basis and in the form directed by HM Treasury. The outstanding maintenance arrears note records amounts owed by non-resident parents as at 31 March 2016, along with movements in these arrears balances during the financial year.

The account has been prepared under the historical cost convention.

## 2 Receipts and payments

Receipts from clients relate to child maintenance and recoveries from paying parents in respect of DNA and court costs. Since the introduction of charging, receipts also include application fees and charges collected from paying parents and receiving parents using the Collect and Pay Service. Costs recovered and income from fees and charges are then paid to the Department.

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

Payments made to the Department also include payments relevant to the Department for Social Development in Northern Ireland to fund payments made on behalf of the Department for Work and Pensions.

Other payment categories relate to refunds and reimbursements to non-resident parents and employers for overpayments of maintenance.

	2015/16 £000's	2014/15 £000's
<b>Receipts from Clients include:</b>		
Child Maintenance	30,083	21,876
Charges	8,544	2,807
Due to Northern Ireland cases	385	258
Refunded to Paying Parents	923	715
	<b>39,935</b>	<b>25,656</b>

As charges were introduced part way through the last financial year, receipts appear significantly higher.

### **3 Interest received and paid**

The Department receives interest on balances deposited in the Client Funds bank account, at the Bank of England base rate minus 1 per cent. Since the base rate was 0.5 per cent during the period, the effective rate was 0 per cent.

As a consequence of the low rate no interest was received in 2015/16 (2014/15, £nil) and no interest was paid to HM Treasury.

### **4 Statement of balances**

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

### **5 Movements in outstanding maintenance arrears**

The following notes explain movements from the opening outstanding maintenance arrears balance to the closing balance:

- i) Maintenance charged during the year and other adjustments. This comprises: assessments made on paying parents during the year; outstanding maintenance arrears transferred to and from the Department for Social Development in Northern Ireland, and adjustments arising 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.
- ii) Amounts written off. Child Maintenance Group has continued to make use of write off powers introduced 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 satisfaction with the agreement of the receiving parent. The regulations also allow child maintenance arrears to be written off in certain explicit circumstances for example where the receiving parent tells us that they do not want the arrears to be collected or the paying parent has died. If a paying parent dies and there are arrears of child maintenance outstanding, the Child Maintenance Group (CMG) can make a claim for those arrears against the estate of a deceased paying 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 paying parent immediately but does not pay out to the receiving parent 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 2015/16 was £30.1million (2014/15, £21.7 million). The principal difference between the value of the receipts in the Receipts and Payments Statement (2015/16, £39.9 million) (2014/15, £25.7million) and those reported in Note 5 is due to the inclusion of non-child maintenance receipts, mainly fees and charges in the Receipts and Payments Statement.
- iv) Outstanding maintenance arrears as at 31 March 2016. This is the balance of outstanding maintenance arrears recognised by the Department, after allowing for maintenance assessments in the year and after receipts of maintenance have been deducted.



	Notes	2015/16 £000s	2014/15 £000s
Outstanding maintenance arrears at start of year		25,949	6,734
Maintenance charged in year and other adjustments	6.0 i)	62,362	41,227
Amounts written-off	6.0 ii)	(2,376)	(312)
Maintenance received in year	6.0 iii)	(30,124)	(21,700)
Outstanding maintenance arrears at year end	6.0 iv)	<b>55,811</b>	<b>25,949</b>

## 6 Events after the reporting date

The authorised date for issue is 8 December 2016.





This publication can be accessed online at:

<https://www.gov.uk/government/collections/child-maintenance-client-funds-accounts>

For more information about this publication, contact:

**External Communications Team  
Child Maintenance  
Department for Work and Pensions  
Caxton House  
Tothill Street  
London  
SW1H 9NA**

Copies of this publication can be made available in alternative formats if required.

Department for Work and Pensions

December 2016

[www.gov.uk](http://www.gov.uk)

ISBN 978-1-4741-3925-0



9 781474 139250