



Department  
for Work &  
Pensions

# Client Funds Account 2017/18

## 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 13 December 2018

HC 1806





# Client Funds Account 2017/18

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 13 December 2018

HC 1806



© Crown copyright 2018

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](https://nationalarchives.gov.uk/doc/open-government-licence/version/3)

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**

ISBN 978-1-5286-0889-3  
CCS1118030388 12/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS 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>10</b>
<b>Chapter 3</b>	<b>Governance Statement</b>	<b>11</b>
<b>Chapter 4</b>	<b>Certificate of the Comptroller and Auditor General to the House of Commons</b>	<b>14</b>
<b>Chapter 5</b>	<b>Report by the Comptroller and Auditor General to the House of Commons</b>	<b>17</b>
<b>Chapter 6</b>	<b>Receipts and Payments Statement for the year ended 31 March 2018</b>	<b>18</b>
<b>Chapter 7</b>	<b>Statement of Balances as at 31 March 2018</b>	<b>19</b>
<b>Chapter 8</b>	<b>Notes to the account for the year ended 31 March 2018</b>	<b>20</b>

## 2 Client Funds Account 2017/18 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 delivered by the Child Support Agency. These schemes support children by collecting money from the paying parent and paying these funds to the receiving parent.

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

The opinions for this account are given by the Comptroller and Auditor General in the audit certificate, with rationale for these opinions explained in his report. Last financial year, the accuracy with which DWP caseworkers assessed child maintenance had reached a level where he was able to issue an unmodified opinion on the regularity of receipts and payments for the 2012 child maintenance scheme. The Department has improved the level of accuracy in this financial year, so once again he is able to issue an unmodified opinion on the Account for 2017-18. His opinion on both the truth and fairness of the 'Outstanding Maintenance Arrears' note and on whether the account has been properly prepared are, as in previous years, unqualified.

**Peter Schofield**  
Principal Accounting Officer

**Date: 10 December 2018**

# Management commentary

# 1

## 1.1 Major reforms

The Department continues to make 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. An arrangement is regarded as effective where some of the agreed amount is regularly received either in cash or in kind and the receiving parent considers the arrangement is working.

Alongside these reforms, the Department is taking steps to improve prospects for Britain's most disadvantaged children and families in the interest of creating a stronger, fairer society that works for everyone. This work includes developing a new approach to improving children's outcomes by increasing access to support that addresses parental conflict. This is reflected in the latest evidence which shows that, whether between couples or between separated partners, children growing up with parents who have good-quality relationships, with low parental conflict, tend to enjoy a wider range of better future outcomes.<sup>1&2</sup>

The Child Maintenance Options service is a free service that provides impartial information and support to help separated parents make informed choices about their child maintenance arrangements.

Where parents are unable, or it is not appropriate, to come to their own family based arrangement, the 2012 scheme offers a simple assessment based primarily on a percentage of gross income, including taxable income from property and savings as well as benefits in payment. The system supporting the scheme retrieves this data automatically from Her Majesty's Revenue and Customs (HMRC) and the Department's benefits systems to carry out the assessment making the process efficient. In a small percentage of cases, where no data is available from HMRC, the paying parent is asked to provide written evidence of income. Once the assessment is made, it remains in place until the case is due for annual review unless income changes by more than 25%; reducing administrative effort and providing greater stability for the receiving parent.

Where no income data is provided the Department is able to impose a default maintenance decision. This is reviewed quarterly to see if better income information is available.

Application fees and charges for collection and enforcement actions were introduced in 2014. These form part of a package of incentives to encourage parental collaboration where possible, better compliance among non-resident parents, and to reduce costs for the taxpayer.

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,

<sup>1</sup> <https://www.gov.uk/government/consultations/strengthening-families-promoting-parental-responsibility-the-future-of-child-maintenance>

<sup>2</sup> <https://www.eif.org.uk/report/what-works-to-enhance-interparental-relationships-and-improve-outcomes-for-children>

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. Collection fees are not charged if parents choose to set up a family-based arrangement or pay by Direct Pay. Fees within the Collect & Pay service add 20% to each of the paying parents' usual child maintenance amounts and deduct 4% from each payment made to the receiving parent.

The introduction of charging for the 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.

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.

Where parents are unable or unwilling to collaborate they can use the Collect and Pay Service, though collection charges will then apply; there are no exceptions.

The other key element to the child maintenance reforms is the closure of Child Support Agency 1993 and 2003 scheme cases. Cases with an on-going liability on these schemes are being selected systematically for closure. Once selected, parents are given six months' notice in writing of the date on which their existing CSA liability will end and are advised to contact the CM Options service to discuss their future maintenance arrangements, which could be an application to the Child Maintenance Service or a Family Based Arrangement.

The Department is on track to complete this work by December 2018, as at March 2018 99% of cases eligible for selection had started the closure process.

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 2017/18

The caseload at 31 March 2018 was 415,000 (March 2017, 323,000), this included parents using both the Collect and Pay Service and the Direct Pay Service. This was an increase of 28% since 31 March 2017 and was partly driven by cases that closed on the old CSA schemes which then make applications to CMS.

Of the Collect and Pay caseload 60% (2016/17 59%) of case groups were contributing towards their current liability, the highest compliance level recorded since the 2012 Scheme began.

At March 2018 601,000 children were covered by the Child Maintenance Service, 391,000 through Direct Pay arrangements and 210,000 by arrangements through the Collect and Pay Service. If payments are not being made by parents using Direct Pay, the Receiving Parent can ask the Child Maintenance Service to step in, the case is changed to Collect and Pay and fees are charged. This year saw an increase from 30% to 33% in the percentage of Paying Parents using the Collect and Pay service.

In the last year, the Department estimates that £641 million (2016/17 £422 million) was paid between parents. Figures include voluntary payments where a payment is made directly to the receiving parent by the paying parent. This estimate assumes that Direct Pay payments due are paid in full and on time by the paying parent.

The totals comprise:

- £539.5 million through Direct Pay (2016/17, £359.7 million) and,

## 6 Client Funds Account 2017/18 2012 Child Maintenance Scheme

- £101.6 million through Collect and Pay (2016/17, £62.4 million).

Since the start of the Child Maintenance Service 2012 Scheme the Department estimates that £1,411 million (March 2017, £770 million) has been paid between parents.

### 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. As at the end of March 2018, 70% of Paying Parents were using Direct Pay and 33% were using the Collect and Pay Service, 3% of Paying Parents had used both services.

Parents who chose Direct Pay were advised to keep a record of payments in case there were problems. Where payments due under Direct Pay were reported as missed, both clients were asked to provide evidence of the missed payment to the CMS. 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 unpaid maintenance; including any accumulated while the case was classed as Direct Pay.

### 1.4 Collect and Pay

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

During 2017/18, 1.2 million (2016/17, 0.7 million) individual receipts were received totalling £89.4 million (2016/17, £53.9 million), all of these receipts were received electronically.

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

During 2017/18, 1.1 million (2016/17, 0.7 million) individual payments were made to receiving parents with a total value of £83.1 million (2016/17, £51.0 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 led to the Child Maintenance Service holding a cash balance at 31 March 2018 of £7.8 million, equating to 7% of the funds received during the year (31 March 2017, £4.7 million, 7%).

#### 1.4.3 Unpaid Maintenance

In addition to reporting the receipts and payments of Child Maintenance, the Department is required to report on amounts that paying parents owe to receiving parents. This totalled £197.9 million at 31 March 2018 (March 17, £113.8 million).

The client base of the 2012 scheme differs fundamentally from that of previous schemes with more compliant customers choosing to enter into a family based arrangement or avoid charges through using Direct Pay. In spite of this, at 31<sup>st</sup> March 2018, 54%<sup>3</sup> (31<sup>st</sup> March 2017, 54%) of Child Maintenance due had been paid which compared favourably with 39% for the 1993 and 2003 Schemes after six years of operation.

<sup>3</sup> 2012 statutory child maintenance scheme: Aug 2013 to Mar 2018 (experimental) - GOV.UK

At 31<sup>st</sup> March 2018, 12.1% of child maintenance due was owing. This measure has shown a continuous improvement over prior years and includes arrears transferred from direct pay where the case has changed service type.

Maintenance owing as a proportion of that raised, including money due to have been paid by Direct Pay, at March:	%
2018	12.1
2017	12.5
2016	13.3
2015	17.0

Unpaid child maintenance is a feature of the 2012 scheme, with a short period of arrears accumulating between the date of claim and the receipt of the first payment. These arrears are usually received in the first twelve months. There will also be instances where parents are in financial difficulties or don't hold residential addresses which adds to the level of arrears.

When a payment is missed, the Child Maintenance Service contacts the Paying Parent to find out why they haven't paid and arranges for them to pay what they owe or warns them about possible enforcement action if they don't pay. If the Paying Parent is using the Collect & Pay service this will happen automatically. If the parents are paying the child maintenance using Direct Pay, the Receiving Parent can request the Child Maintenance Service to take action.

The Child Maintenance Service can collect unpaid child maintenance in a number of ways. This includes:

- Taking money from the Paying Parent's earnings through a deduction from earnings order/request. The Child Maintenance Service will tell the Paying Parent's employer how much to take from their wages. The employer must then pass on the money or they can be taken to court.
- Taking money directly from the Paying Parent's bank or building society account using a deduction order.
- Taking the Paying Parent to court. The courts can grant liability orders which allow the parent to be referred to Enforcement Agents who could sell property to pay the unpaid maintenance and any costs. The courts can also apply a charging order which secures the debt against a property and ultimately force the parent to sell property through an order for sale, and use the money to pay off the unpaid maintenance. If these methods fail the Child Maintenance Service can apply for the courts to disqualify the parent from driving or send them to prison.

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

#### 1.4.4 Age of Arrears

In reporting periods up to and including the year ended 31 March 2018, all outstanding unpaid maintenance has been reported as collectable. The Department commissioned a review of collectability during 2016/17 from Indesser, a private business, jointly owned by the government and TDX Group, who

## 8 Client Funds Account 2017/18 2012 Child Maintenance Scheme

use data and insight to understand child maintenance clients and determine appropriate collection activity. Indesser analysed the circumstances of over 32,000 clients who had accumulated levels of unpaid maintenance that exceeded £1,000 and concluded that, at the point of analysis, around one third of the clients were in financial difficulty or did not have a residential address which might limit the enforcement actions available to us.

Despite this, DWP still considers that all arrears are probably collectable. Over 84% of this debt is recent, having being raised in the preceding two financial years,

Analysis of Arrears outstanding by year they originate:	£m
2012/13	NIL
2013/14	£1.0
2014/15	£8.2
2015/16	£21.9
2016/17	£53.9
2017/18	£112.9
Total	£197.9
Note: Arrears have accrued since 2012/2013 when the scheme commenced	

The Department has increased the focus on tackling arrears, moving cases more quickly into Enforcement and promoting more reliable methods of payment such as deductions from earnings orders. This has delivered visible impacts. The quarter to March 2018 was a turning point with non paying case groups reducing for the first time in spite of an increasing caseload. Compliance, the percentage of Paying Parents using the Collect and Pay Service and paying some child maintenance in the quarter, stood at 60%, rising to 63% by September 2018.

Arrears arising from cases on the 1993 and 2003 schemes, which have been transferred to the 2012 computer system, are still particular to the 1993 and 2003 schemes. The Department launched a consultation document in December 2017 looking at how to handle the historic arrears and our response was published on the 12 July 2018. This set out the approach for addressing these arrears going forward; that proportionate efforts will be made to collect arrears where the parent with care requests it, providing the values are above value for money thresholds.

The key principles which will underpin the new Compliance and Arrears strategy, are to:

- Continue to prioritise collecting money for today's children.
- Continue to encourage collaboration between parents.
- Build on the success of CMS by introducing tougher new enforcement measures and making the best use of current powers.
- Address historic arrears built up under the CSA schemes by offering a final chance at collection where this is possible at a reasonable cost to the taxpayer.
- Avoid taxpayers funding activity that won't result in money going to children.

The Department publicly consulted on this matter and published a response setting out its final approach on the 12 July 2018. This can be found here: [Child Maintenance: a new compliance and arrears strategy](#)

Regulations supporting the strategy were signed on 29 November 2018 enabling debt to be written off once enforcement options have been exhausted and the department has been unable to collect the debt, in which case both clients will be notified.

The collectability position will be looked at again, once we know the impact of these new powers.

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

Non-child maintenance receipts of £22.2 million collected during 2017/18 (2016/17, £14.7 million) related mainly to application fees and collection and enforcement charges which are paid to the Secretary of State. 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.

### 1.5 Assessment Accuracy

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

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

This increased automation was expected to have a positive impact on assessment accuracy and extensive work has been carried out to identify and quantify this impact with methodology being refined each year as the impact on reported accuracy is better understood.

This year, 76.5% of all decisions impacting the calculation were automated, an increase of 2.8% on last year. The increase has been driven by both in year system enhancements which reduced the need for caseworker intervention and a greater proportion of annual reviews; this is where each case is updated after 12 months with the latest gross income which is usually sourced automatically from HMRC.

The Department's Quality Assurance Team has reported that the automated calculations they checked were free from error for both the initial calculation and annual review of maintenance assessments allowing these automated decisions to be reflected in the reported accuracy of 99.1%. Although this is the same as reported in 16/17, measures are not directly comparable due to the refinements in methodology impacted this year which are backed by newly developed, more robust Management Information which cannot be replicated for the prior year. Unvalidated accuracy levels at September 2018, using this revised basis, stands at 99.5%, and will be confirmed after the 2018/19 audit of the Client Funds accounts.

**Peter Schofield**  
Principal Accounting Officer

**Date: 10 December 2018**

# Statement of Accounting Officer's responsibilities

# 2

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

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

In preparing the 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 the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money.

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

**Peter Schofield**  
Principal Accounting Officer

**Date: 10 December 2018**

# 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.

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

The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2018 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.

In 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 closed and as at 31<sup>st</sup> March 2018 92% of cases had had their liability ended on Child Support Agency Schemes. As a result parents have to choose between making their own, family-based arrangement or making an application to the CMS, where a family-based arrangement is not possible. Although outstanding arrears balances on some cases have moved from 1993 and 2003 computer systems to the CMS 2012 computer system, these arrears continue to relate to, and will be reported in, the Client Funds Account for the 1993 and 2003 schemes.

## 2 Control challenges: 2012 Scheme

The 2012 Scheme is facing a small number of control challenges.

### 2.1 System and Process Improvements

System and process changes will always carry a small level of risk in spite of extensive testing. A number of changes have been introduced during the year to deliver targeted improvements in system functionality or reduce caseworker intervention. All have been implemented successfully.

Caseworkers are continually being up skilled in CMS casework as the CSA scheme diminishes and caseload on the CMS scheme grows. A training programme targeted at improving the financial understanding of caseworkers is being rolled out which will contribute to improvements in the quality of caseworker actions.

### 2.2 Assessment Accuracy

Reported Assessment accuracy for 17/18 is 99.1%. Although like for like comparisons with last year are not available due to developments in Management Information which cannot be recreated for the previous year, accuracy on a directly comparable basis continues to improve .

## 12 Client Funds Account 2017/18 2012 Child Maintenance Scheme

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

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

### 2.3 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.

In relation to personal data breaches, the Department follows the guidelines from the Information Commissioner which can be found at: <https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/personal-data-breaches/>. Since the General Data Protection Regulations (GDPR) and the 2018 Data Protection Act came into force, the Department has adopted the GDPR Article 29 Working Party guidelines on Personal Data Breach Notification which may be accessed at: [http://ec.europa.eu/newsroom/article29/item-detail.cfm?item\\_id=612052](http://ec.europa.eu/newsroom/article29/item-detail.cfm?item_id=612052).

In 2017-18 no personal data incidents were formally reported to the Information Commissioner's Office (ICO) and this is documented on page 110 of the [dwp-annual-report-and-accounts-2017-2018](#). However, the ICO made 22 enquiries of the Department, about issues reported to ICO by child maintenance clients. In each case, DWP made a prompt and satisfactory response to ICO.

### 2.4 Management Information

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

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

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

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

In addition to the published statistics, the Department uses a wide range of management information (MI) 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.

### 2.5 System Stability

The year has seen improved stability and performance from the core CMS2012 system. Application monitoring is now extensively used to identify and rapidly rectify application problems. This said, there have been some performance and availability issues. These disruptions were often the result of broader

impacts to the Digital estate which were necessary to address ageing infrastructure and supplier arrangements.

Since March, a focused Service Improvement Plan has been underway and it's anticipated this work will deliver benefits in 2018.

## **2.6 Client Fund Bank Account**

The transition from the Department's sponsoring bank to its new supplier, which started in 2016/17, has now been successfully completed and the old bank accounts were decommissioned within this reporting year.

## **2.7 General Data Protection Regulation (GDPR) GDPR**

The General Data Protection Regulation (GDPR) came into effect on 25 May 2018. A new Data Protection Act 2018 also came into force on that date to supplement GDPR in the UK. These changes represent the biggest shake-up in data protection and privacy legislation in the EU for three decades. GDPR strengthens existing data protection law and updates it to take into account changes in technology and attitudes to privacy in the digital age.

GDPR demands more of organisations in terms of accountability for their use of personal data and enhances the existing rights of individuals. It applies to all personal data - staff data, employer data and client data.

The Department revised its Personal Information Charter for the advent of GDPR. (The Charter is available on [www.gov.uk](http://www.gov.uk).) The Department is currently working through a programme of assurance activity, to confirm full GDPR compliance.

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

# 4

## Opinion on financial statements

I certify that I have audited the Client Funds 2012 scheme Account for the year ended 31 March 2018 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. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- The account properly presents the receipts and payments of the Client Funds 2012 scheme Account for the year ended 31 March 2018 and the cash balances held as at 31 March 2018;
- Note 4 to the account gives a true and fair view of the outstanding maintenance arrears as at 31 March 2018; and
- The account has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions thereunder.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 2016. I am independent of the Department for Work and Pensions (DWP) in accordance with the ethical requirements that are relevant to my audit and 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.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer of DWP is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

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

- On note 4, 'Outstanding Maintenance Arrears', I provide an opinion as to whether the note gives a true and fair view of the outstanding maintenance balances;
- On all sections other than note 4 '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.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DWP's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

## 16 Client Funds Account 2017/18 2012 Child Maintenance Scheme

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

### Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and 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, 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:

- in the light of the knowledge and understanding of DWP and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

### 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 returns adequate for my audit have not been received from branches not visited by my staff; 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP

**Date: 11 December 2018**

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

# 5

I was able to issue an unqualified opinion on the Client Funds 2012 Scheme Account for 2016-17 due to an improvement in accuracy of child maintenance assessments. This year I estimate that accuracy rates in assessments have been maintained at a similar level to the prior year and I continue to consider that the level of error is not material. The sustained rates of accuracy are largely due to further increased levels of automation in child maintenance assessments.

I estimate that the level of accuracy in the child maintenance assessments, under the 2012 Scheme, for 2017-18 is 99.14% (2016-17 99.12%). I have calculated this accuracy rate through reliance upon the extensive checking carried out by the Department's Quality Assurance Team (QAT) 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.

The Department has sustained the level of accuracy by increasing the proportion of decisions that are calculated through an automated process and it has demonstrated that such automated decisions are accurate. This includes automated interfaces with HMRC and DWP systems that mean many calculations are performed with no case worker intervention. The level of automation in 2017-18 was 76.07% (2016-17 73.7%) such that over 840,000 (2016-17 566,000) calculations were made automatically. The Department has been able to demonstrate to me that automated calculations are free from error.

The Department's focus has previously been on the closing of cases on the 1993 and 2003 Schemes and supporting customers to either create a family-based arrangement or process applications under the 2012 Scheme to arrange child maintenance. By the end of December 2018, all child maintenance cases will be administered under the 2012 Scheme. The Department should now take action to ensure that the growing levels of arrears on 2012 Scheme cases do not suffer the same issues with collectability and manageability as have arisen on the 1993 and 2003 Schemes (HC 1807).

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP

**Date: 11 December 2018**

# Receipts and Payments Statement for the year ended 31 March 2018

# 6

	Notes	2017/18 £000s	2016/17 £000s
<b>Receipts:</b>			
Child Maintenance from paying parents	2	89,362	53,930
Fees, charges and other recoveries collected on behalf of the Secretary of State	2	22,232	14,782
Receipts pending allocation	2	-	599
<b>Total Receipts</b>		<b>111,594</b>	<b>69,311</b>
<b>Payments:</b>			
To receiving parents	2	83,147	51,044
Refunds to paying parents/employers	2	3,101	1,478
Fees, charges and other recoveries collected on behalf of the Secretary of State	2	22,232	14,782
<b>Total Payments</b>		<b>108,480</b>	<b>67,304</b>
Net receipts/(payments)		3,114	2,007
Balance as at 1 April		4,695	2,688
<b>Balance as at 31 March</b>		<b>7,809</b>	<b>4,695</b>

# Statement of Balances as at 31 March 2018

# 7

	Notes	31 March 2018 £000s	31 March 2017 £000s
Opening balance		4,695	2,688
Movement		3,114	2,007
Closing cash balance	3	7,809	4,695

# Notes to the account for the year ended 31 March 2018



## 1 Statement of accounting policies

The account has been prepared on a cash basis and in the form directed by HM Treasury. The maintenance owed by non-resident parents as at 31 March 2018, along with movements in these arrears balances during the financial year.

The account has been prepared under the historic cost convention.

## 2 Receipts and payments

Receipts from clients relate to child maintenance and also application fees and charges collected from paying and receiving parents using the Collect and Pay Service. Recoveries are also obtained from paying parents in respect of DNA and court costs

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.

Some receipts have been received in the bank account but have not yet been allocated; this can be due to normal timing differences or incorrect reference numbers being quoted by clients.

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.

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

The increase in receipts and payments is due to cases from the Child Support Agency Legacy Schemes re-applying to the CMS Scheme, as well as increasing volumes of completely new applications.

## 3 Statement of balances

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

## 4 Movements in unpaid maintenance

The following note explains movements between the opening and closing unpaid maintenance balances:

- 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, which is usually received in the first 12 months.
- 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 2017/18 was £87.4 million (2016/17, £53.6 million). The principal difference between the value of the receipts in the Receipts and Payments Statement (2017/18, £111.6 million) (2016/17, £69.3 million) and those reported in Note 4 is due to the inclusion of non-child maintenance receipts, mainly fees and charges in the Receipts and Payments Statement. Also, the Receipts and Payments statement is prepared on a cash basis so there is a further timing difference between cash being received in our Bank Account and being allocated to a case.
- iv) Outstanding maintenance arrears as at 31 March 2018. 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	2017/18 £000s	2016/17 £000s
Outstanding maintenance arrears at start of year		113,783	55,811
Maintenance charged in year and other adjustments	4.0 i)	176,307	113,606
Amounts written-off	4.0 ii)	(4,800)	(1,986)
Maintenance received in year	4.0 iii)	(87,369)	(53,648)
Outstanding maintenance arrears at year end	4.0 iv)	<b>197,921</b>	<b>113,783</b>

## 5 Events after the reporting date

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





