

1994/95

# annual report

and accounts





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Accounts, prepared pursuant to section 5 of the  
Exchequer and Audit Departments Act 1921,  
together with the Report of the Comptroller and  
Auditor General thereon.

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**child**  
support agency

an executive agency of the Department of Social Security



# foreword



The Child Support Agency entered its second year of operations firmly in the spotlight of critical appraisal from our clients, Members of Parliament, the media and the general public. There will always be wide and keen interest in the performance of this Agency: it has a major impact on the most private and sensitive areas of people's lives. We are fully aware that any shortcomings could have serious consequences for the people with whom the Agency deals. On the other hand, when our job is done well, all three potential contributors to child support maintenance – the responsible parents and the general taxpayer – will have had their interests suitably protected under the law. Therefore standards of performance and service set for this Agency must be appropriately high, and so must our efforts to achieve them.

1994/95 was a year in which the Child Support Agency achieved some successes. We had taken careful note of the criticisms of our first year, and taken action in many different areas of our operations in order to improve performance. Most significantly, during the past twelve months we have cleared over half a million cases; traced the whereabouts of nearly 50,000 absent parents so that the process of assessing their liability for child maintenance could start; been involved (either directly or because of our assessment) in the payment of over £187 million in child support maintenance, and recorded over £479 million savings in Social Security benefits that would otherwise have been paid. In over 77 per cent of the cases we took on during 1994/95, the absent parent was not paying any regular maintenance. Though there is still much to do before the Agency can fully play the role intended for it by Parliament, that objective is now clearly within sight. This itself is an important achievement.

The Social Security Select Committee described the Child Support Act as the 'most far-reaching social policy reform in 40 years'. This gives some impression of the size of the Agency's task and it will inevitably take time for that reform to be fully realised, but a great deal of progress has now been made, as this report shows. By the last quarter of 1994/95, work on hand in most key areas of our business was either coming down or had stabilised, and weekly output levels overall were rising; we had also begun our drive to improve quality across the whole range

of our activities, and our principal function – to arrange and ensure the payment of child maintenance between the parents concerned – had been clearly established. The Agency successfully introduced a significant package of legislative change in February 1994 and, in the second half of the year, was closely consulted in the formulation of the Government's further proposals contained in the White Paper published in January 1995. By the end of 1994/95, we had the implementation of changes due in April 1995 firmly in hand.

I have been very impressed by the sheer hard work and commitment of colleagues throughout the Agency that I have observed since I joined it in September 1994. I am confident that the Agency is now on a stable footing and is increasingly showing improved levels of performance throughout its business. It is vital that the process of improvement continues so that our administration reaches and sustains acceptable performance levels on every aspect of our work. From Parliament and the general public there is a strong desire to see us succeed in all our objectives: this report demonstrates that we have begun the process of so doing.

**Miss Ann Chant**  
**Chief Executive**



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# about the agency

## our aims

The child support scheme is intended to ensure that parents who live apart honour their financial responsibilities for their children whenever they can afford to do so. It was introduced from 5 April 1993 to replace a child maintenance system which was failing large numbers of children, the parents with whom they lived and the general taxpayer. The Child Support Agency has specific objectives of:

- implementing successfully the Child Support Act under agreed plans for the take-on of clients and ensuring that maintenance assessments are accurate and that payments are regular;
- providing a service to clients which is accessible, courteous, fair and efficient and seen by them as such;
- providing clear and accurate information to clients and the public about the system for child maintenance;
- establishing and maintaining an effective working relationship with the courts, advice agencies and other organisations with an interest in the Agency's work;
- contributing to the Department's evaluation and development of policy and ensuring that the Agency can respond effectively to change;
- making the most efficient and effective use of available resources.

## our organisation

The majority of our staff are based either in our six Child Support Agency Centres (CSACs) at Belfast, Birkenhead, Dudley, Falkirk, Hastings and Plymouth or in local Social Security

offices throughout Great Britain. Other staff work at the Central Appeals Unit in Lytham St Annes, at the National Enquiry Line service in Liverpool, or our Headquarters and central support divisions located in London and Newcastle-upon-Tyne.

The Belfast centre is an integral part of the Northern Ireland Child Support Agency, but provides a service to an area of the mainland on our behalf.

The Chief Executive, Miss Ann Chant, and the Agency Board have overall responsibility for the Agency.

## the work we do

Our main activities are:

- contacting absent parents, assessing child maintenance, notifying absent parents and the people caring for their children about the assessment made and arranging a suitable payment method;
- collecting and passing on maintenance payments at the request of either party, and taking action to recover arrears and re-establish payment where necessary;
- reviewing maintenance assessments periodically and also when there is a change of circumstances;
- preparing and, where appropriate, presenting appeals to be heard by Child Support Appeals Tribunals;
- liaising with the Benefits Agency in cases where clients receive benefit.

# managing our work

## introduction – learning from 1993/94

At the start of 1994/95 the Agency's management team was continuing a review of operations which started in 1993/94. This was aimed at tackling the problems identified during that year. The result was a programme of management actions to produce improvements in five main areas:

- improving management control and flexibility;
- increasing productivity and quality;
- reviewing operational policy and procedures;
- controlling the workload;
- making the best use of existing staff and resources.

## reports on the quality of our work

During 1994/95 several reports were published about the quality of service the Agency had been providing. In his report the Chief Child Support Officer (CCSO) commented that in 40 per cent of a sample of cases he had examined in 1993/94, an error had led to an incorrect amount of maintenance being assessed. He noted that some of the errors were small, that the pressures on the Agency had affected performance, and that there was a 'strong will to improve'. But overall his findings were disappointing for the Agency.

In January 1995 the Parliamentary Commissioner for Administration (the PCA or Ombudsman) issued a Special Report on the Agency's administration. The Report was then considered at a hearing of the Select Committee on the

PCA at which the Chief Executive gave evidence. The Select Committee subsequently published its own report. Both documents contained criticism of our operational performance and highlighted areas in which the Agency needed to improve.

## improving accuracy

To improve accuracy, we began to introduce improved checking and quality control systems throughout the Agency. New procedures were started in the summer of 1994 to monitor all aspects of the maintenance assessment process, including:

- whether the amount assessed was correct;
- whether there was enough information to make an accurate assessment;
- whether the Child Support Officer made a decision consistent with good practice and Child Support legislation;
- whether details were correctly entered onto the Child Support Computer System.

These improvements, together with related staff training and communication of good work practices between CSACs, were making a positive impact by the end of the year. However, there is still some way to go before the desired standards are achieved.

## ensuring that maintenance is paid

This area of our business is our core function and it developed significantly during the year. We carried out a wide-ranging review of our work in the areas

of debt collection and enforcement, and as a result we have re-organised the way we deal with maintenance collection. We introduced a large number of improvements to ensure that absent parents start paying regular maintenance as quickly as possible after a maintenance assessment has been completed. Where absent parents do not comply with their assessments despite all our efforts, we have increased the use of our powers to arrange for maintenance to be deducted from their earnings (during 1994/95 32,027 Deduction from Earnings Orders were issued compared to 2,600 in 1993/94). We have also introduced changes to ensure that persistent defaulting is tackled promptly, and that appropriate cases are referred for court action.

These initiatives have contributed to an almost sixfold increase in the amount of maintenance collected by the Agency with £76.40 million being paid through the Agency collection service compared to £12.57 million during 1993/94. Underlying this overall increase, monthly collections increased from £3.70 million in April 1994, to £9.09 million in March 1995. This improvement was also mirrored in the amount of maintenance assessed to be paid directly by the absent parent to the parent with care; we estimate that £111 million was assessed to be paid directly between parents during 1994/95.

Proposed policy changes announced by the Government in January 1995 are aimed at helping parents who experience real difficulties in meeting their maintenance liability – thus freeing our enforcement staff to trace and take action against the genuinely recalcitrant.

## controlling the workload

We have been taking on, in stages, cases where the parent with care has been claiming Income Support since before our launch in April 1993. In December 1994 we decided, with the agreement of Ministers, to defer taking on the next scheduled group of these clients until we are able to tackle their assessments promptly and to a high standard. We continue, however, to consider taking on any individual case in this group where the parent with care particularly wants the Agency to act.

We also decided not to pursue for the time being cases where a Maintenance Application Form (MAF) issued before July 1994 had not been returned despite reminders. In these cases, and those where a MAF had been returned, but without enough information for the Agency to proceed, clients were informed that we intended suspending the case unless they asked us to pursue it and gave us the necessary information to enable us to do so. Some 16,000 cases came into these two particular categories.

In enabling staff to concentrate on new cases and those awaiting an assessment where clients are anxious for maintenance to be arranged, we intend to clear our existing backlog of work in a much shorter time and pay proper attention to providing a continuing service to our clients whose maintenance has already been assessed. We can then resume take-on of the remaining Income Support clients, and provide them with a speedy and good quality service; we intend recommencing take-on of these cases by the end of 1995.

## improving the agency's management information systems

We improved our Management and Financial Information Systems in 1994/95. This enables management to monitor work more effectively and provides more information with greater accuracy for Ministers and for replies to Parliamentary Questions. We introduced an Operational Management Information System (OMIS) which gathers data on processes carried out in the Child Support Agency Centres. This is currently a clerical system, but work on its automation is well advanced. The new Financial Management System (FMS) extracts information from the Child Support Computer System (CSCS) to produce financial information and accounts. During the year more information on a number of areas of work has become available; for example, since November 1994 it has been possible to monitor workloads in respect of cases where maintenance has been assessed, including day-to-day servicing, debt management and litigation. Other systems have also been developed to support reviews and appeals work and correspondence handling.

## training

Training was a major commitment during 1994/95, with more new staff being trained in the Child Support Agency Centres and refresher training being delivered across the Agency. For staff embarking on our primary business of assessing maintenance, the training period was extended from six to ten weeks, and throughout the rest of our operations training was tailored to give staff the skills needed for their particular jobs.

Our core training needs are technical and business expertise, management and supervisory skills, and good customer service practice. During the year we extended management skills training and we have developed technical training to take account of improved computer facilities and changes to policy. The reference guides and briefing materials used by staff in day-to-day working were updated and revised.

We have developed our quality and customer service training in tandem with initiatives in specific areas:

- adjudication training to improve accuracy;
- negotiation and debt recovery skills reflecting our focus on collecting maintenance;
- specialised training for staff in our new dedicated units (Telephone Call Handling, Appeals) and for those in local offices who interview clients on particularly sensitive issues.

In several instances we called on outside professionals who have experience in particular fields such as accounting and debt recovery to add their expertise to our training packages.

During 1994/95 we created three Training Development Units to take forward the writing and commissioning of training materials. Plans have been approved to centralise business and technical training under the Operations Directorate, while management training will be the responsibility of the Personnel Directorate.

## policy and operational changes

Our increasing knowledge of our business during 1994/95, enabled us to contribute fully to the review of policy which led to the White Paper published in January 1995, *Improving Child Support* (Cm 2745). We had also identified a number of improvements as a result of the operational review we began in 1993/94, and these were developed in 1994/95, approved by Ministers, and implemented at the start of 1995/96. Full details of the changes are contained in our *Business Plan 1995/96* (CSA 2091).

## implementing improvements

The procedures of our six CSACs were standardised during 1994/95, to ensure that maintenance assessments, maintenance payments and specialist functions (including reviews of cases) are each consistently accorded suitable priority and that best practice is communicated throughout the Agency. New work packages and operating procedures were developed; in particular there was an increasing focus on the collection of maintenance.

## summary

Throughout 1994/95 we have worked to implement planned improvements and remedy identified weaknesses, particularly in our quality and accuracy. The changes we have made are a long-term commitment. Although some will take time to be fully realised, other improvements are already visible; they represent our desire to improve quality and our determination to listen and respond to constructive criticism.

# performance against targets

## introduction

Planning assumptions for 1994/95 targets were based partly on the early experience of operations during 1993/94 and partly on the expected impact of initiatives to improve performance in areas identified in the Agency's 1993/94 Annual Report and Business Plan, *The first two years* (CSA 2066).

Planning was also dependent on assumptions about factors outside the Agency's direct control – workload, client behaviour and case characteristics.

The Agency had taken on a large number of cases in 1993/94, and had arranged maintenance in many of the more uncomplicated of these by the year end. A high proportion of the cases carried over into 1994/95 were those where assessment was proving lengthy and difficult, because of lack of information, refusal by clients to provide information, disputes about paternity or other complexities. Targets for 1994/95 were therefore focused on dealing more effectively with such cases, by improving clearance times, bringing the more complex cases to conclusion, and bringing levels of outstanding work under control.

## assessing maintenance in new cases

The management initiatives implemented during the last quarter of 1993/94 and during the first quarter of 1994/95, proved successful in achieving a higher number of maintenance assessments. As many cases were cleared in the first six months of 1994/95 as in the whole of the previous year. By the end of the year over half a

million cases had been cleared, and the number on hand awaiting a maintenance assessment had reduced by almost 125,000. However, despite this significant improvement in performance, fewer cases were assessed than originally planned, because of the decision to commit increased resources to other priority areas of work, such as improving the collection of maintenance.

## collecting maintenance and maintaining existing cases

The shortfall in assessments occurred mainly because the work we must carry out to maintain cases after assessment – collecting maintenance, carrying out reviews, converting interim assessments into full assessments, answering enquiries – increased significantly during the year, and proved more time-consuming than we had anticipated.

In order to provide a satisfactory service to our existing clients, to improve the collection of maintenance, and to prevent further backlogs of work building up, we moved resources from assessing cases to maintaining them, better reflecting the balance of our work. This development enabled us to make some significant progress in key areas. For example, almost six times as much maintenance was collected in 1994/95 as in the previous year; we dealt more effectively with cases in which a parent had requested a review of the assessment by another Child Support Officer; we improved the arrangements for preparing submissions for appeal tribunals, and correspondence was answered more quickly.

The increased emphasis on collection of maintenance and on servicing

existing cases was prompted by our better understanding of the nature of our business in 1994/95. As a consequence, we reorganised our operations to manage the full range of our work more effectively. This reorganisation, which enabled us to start bringing all our work under tight control, proved exceptionally demanding, involving redeployment and additional training for many of our staff.

## impact on performance against targets

These significant developments allowed us to make good progress in some key areas. We achieved two of the targets set by the Secretary of State at the beginning of 1994/95 and our performance in arranging maintenance showed a significant improvement on 1993/94, although we did not meet this or the other two targets. In the second half of 1994/95, the Secretary of State asked us to ensure that we collected £70 million in maintenance payments and to speed up the transfer of this maintenance to its proper recipients by minimising the amount held in the Agency's bank account. Both these targets were achieved.

Our shortfall in performance against some of the targets set for us partly reflected the fact that these targets were focused on completing maintenance assessments in new cases, whereas an increasing proportion of our work related to collecting maintenance and servicing existing cases. This prompted us to ask the Secretary of State to review our targets comprehensively as part of the process of setting targets for 1995/96. Some of the targets were found to be poor 'drivers' of our business – they con-

centrated our efforts in areas where a good performance against target would not necessarily mean a good service to the Agency's clients and to the taxpayer. In addition, the range of targets did not cover all of the key areas in which the Agency needs to perform well. As a result, some targets have been replaced within a wider range of targets set for 1995/96, the achievement of which is more relevant to individual parents and more directly under the Agency's control. A full description of the new targets is in Appendix 2 of this Report.

## Secretary of State's targets

**Annual benefit savings of  
£460 million**

The target was achieved with £479.05 million recorded for the year.

Benefit savings have not been carried forward into 1995/96 as a specific target, although they will continue to be taken into account in evaluating the performance of the Agency in delivering the policy overall (see Appendix 2 of this Report).

**Fifty per cent of people with  
care of children making eligible  
applications to the Agency to  
have maintenance arranged**

Maintenance was arranged in 40.71 per cent of cases. Although the target was not achieved, this level of performance is a significant improvement over the previous year (31.5 per cent).

A key factor affected performance. At 44 per cent, the proportion of cases cleared resulting in a maintenance

assessment (250,836) was much lower than the 60 per cent that had been expected. This was due to the increased complexity of some older cases, and the fact that when cases have been outstanding for some time they are more likely to be cleared by means other than a maintenance assessment. For example, the parent with care may be unable to name the absent parent; have good cause for not co-operating which is accepted; or there may be insufficient evidence to prove paternity.

Whilst arranging maintenance is a fundamental part of the Agency's business, it has not proved to be an effective target because as defined it is both complex and difficult for the Agency to influence or forecast. This target has therefore been replaced by targets for maintenance collection and speed of payment (see Appendix 2 of this Report).

**A score of 65 per cent on  
an index of client satisfaction  
with the Agency's service, as  
determined by an independent  
national survey**

The composite score for satisfaction with the service from the Agency in the 1994 Client Satisfaction Survey is 44.2 per cent.

The score of 44.2 per cent is considerably below the target, and lower than the score achieved in our first year (61 per cent). This reflects both the continued controversy and publicity that has surrounded the Agency, and the difficulties we have faced in providing clients with a satisfactory service. In particular, delays in processing maintenance applications affected many parents.

Initiatives focused on enhancing collection and payment of maintenance, improving quality and giving good customer service were introduced throughout the year. We expect that recent initiatives, combined with the implementation of improvements suggested by the survey, will improve performance in the coming year. But, given the very nature of our work, client satisfaction will remain one of our most challenging targets, particularly as it will take time for additional customer service work to achieve results.

**By the end of March 1995, no more than 40 per cent of outstanding maintenance applications to be over 13 weeks old, no more than 15 per cent over 26 weeks old, and no more than 1 per cent over 52 weeks old**

The target was not achieved. By the end of March, 82 per cent of outstanding cases were over 13 weeks old, 70 per cent were over 26 weeks old and 50 per cent were over 52 weeks old.

Fewer cases were cleared than expected (568,149 compared to 899,000 forecast) and of these, older cases proved to take much longer to clear than had been expected. With a reduction in the number of new cases being taken on (398,584 instead of 718,000 forecast), uncleared cases thus began to form a higher proportion of the total from September and performance against target deteriorated.

To take action to effect a significant improvement on performance on this target by the end of the year would have had a disproportionate impact on the rest of the Agency's work. We therefore decided that, while continuing to work to clear older cases as quickly

as possible, we would focus our maintenance assessment efforts to ensure that new cases being taken on did not join the backlog of cases considerably more than 26 weeks old.

This target in its present form has been replaced by a target for speed of clearance for new assessments. A milestone target has also been set which requires the Agency to look at the characteristics of old outstanding cases and put into effect a plan to manage this work more effectively (see Appendix 2 of this Report).

**To manage the Agency's resources so as to deliver its Business Plan within a total budget of £184 million**

The target was achieved.

# improving customer service

## introduction

In addition to the initiatives developed to help us provide a good quality of service to all our clients, we sought to adapt parts of the Agency's operations to meet the needs of specific client groups more directly.

## telephoning the agency

In 1993/94 clients had found it hard to contact our CSACs. They regularly reported that it was difficult to get through on the telephone, that they could be passed from one section to another, and that staff did not always have the information available to deal with their cases.

In 1994/95, we set up new dedicated telephone sections:

- Centralised National Enquiry Line – All facilities for answering general enquiries about the Child Support Agency, which had previously been spread throughout the Agency, were centralised in Liverpool in August 1994. National Enquiry Line (NEL) staff have been recruited and specially trained to offer a high standard of service to callers. For the last few months of the year the new service was responding to over 90 per cent of calls within 20 seconds.
- Centralised CSAC Call Handling Sections – Enquiry sections have been in place in each CSAC since September 1994. They aim to resolve the caller's enquiry during the initial call, or where this is not possible, to call back at the client's convenience. Around 150,000 calls on individual cases are dealt with each month by these six sections, freeing other CSAC staff to continue their normal casework duties.

## replying to letters

Inevitably, given the nature of our work, we receive many letters from MPs, either asking for general information or raising queries on behalf of their constituents. In 1993 the Agency had set up a special section at our London Headquarters and recruited extra staff to deal with correspondence. In 1994/95 we expanded this section and developed a new computer database to improve control of the work. This Parliamentary Correspondence Unit (PCU) aimed to improve the quality of letters to MPs and their constituents whilst meeting reply-time targets, and it succeeded.

The PCU is now dealing with letters much faster and to a higher standard. In 1994/95 it prepared replies to 12,374 letters. By the end of the year 91 per cent of the 690 letters awaiting a reply were less than four weeks old and no letter was more than six weeks old.

CSACs also have dedicated teams of staff to answer correspondence. In addition to responding to written enquiries from clients, they answer about 100 letters a week from MPs and provide information on individual cases for the PCU at Headquarters. Their performance improved considerably during 1994/95, but this aspect of our work will remain a high priority in 1995/96 as further improvements are needed.

## reviewing agency literature

We reviewed the computer-generated letters and forms which are issued to our clients, to improve standards. A copywriter has redesigned clearer versions that are easier to understand and we are introducing the new forms and letters as resources permit.

We are committed to meeting our obligations under the Welsh Language Act. In addition to supplying a range of forms and leaflets in Welsh, we employ Welsh-speaking staff not only in local offices in Wales, but also in our Birkenhead CSAC to handle correspondence and telephone enquiries in Welsh.

We also improved the service we offer to our clients with special needs. The leaflet which explains the Child Support process, *For parents who live apart*, is now available in 13 languages in print and on audio tape, and in large print and Braille versions. We have taken advantage of the experience of the Central Office of Information's Informability Unit and voluntary organisations, such as the Royal National Institute for the Blind, in developing our range of materials for people with disabilities. A new development is a computer disk version of *For parents who live apart* which enables the text to be called up on a home computer or in a reference library, either in a manner which suits visual impairment, or through a speech synthesizer.

## special payments

In line with other parts of the Department of Social Security, the Agency has non-statutory arrangements whereby a special payment may be considered when a clear, unambiguous error or unreasonable delay results in a measurable financial loss. Special payments can be made to compensate clients who suffer financial loss due to an error of the Agency. During 1994/95, 38 such payments were approved and the total amount paid was £4,170.

## processing appeals

In 1994/95 6,600 of our clients appealed against Agency decisions. We were criticised by the Independent Tribunal Service (ITS) for delays in producing our evidence in appealed cases. In August 1994 we set up a Central Appeals Unit at Lytham St Annes to improve the service by giving responsibility for processing all appeals to trained specialist staff. The Unit aims to reduce the number of outstanding appeals, improve the quality of submissions, and forge closer links with the ITS, Central Adjudication Services, CSACs and Field Offices. By the last quarter of 1994/95 it was making a significant impact on performance, with twice as many appeals processed in the second half of the year as in the first.

## liaison with the stakeholders in our business

To help us monitor our progress in all aspects of Customer Service, in Autumn 1994 we introduced regular consultation meetings with our major 'stakeholders' – people who have a wide variety of interests in the work we do and its effects. The Chief Executive and other senior Agency managers participate in these meetings, and will build on the opportunity they afford for two-way consultation about our operations.

Throughout 1994/95, our staff in local offices throughout England, Scotland and Wales have actively fostered links and sustained regular contact with outside bodies and local voluntary groups. Field staff have sought to

establish good client and public relations through a variety of initiatives, including attending conferences, initiating meetings, providing speakers to groups, manning exhibition stands at events and offering advice 'clinics'. Reaction has been positive, and even where a particular audience has been opposed to the principle of the legislation, staff are committed to offering constructive opportunities for discussion, explanation and suggestions for improvement.

## charter standards

In addition to the business performance targets set by the Secretary of State we have a number of service standards, set out in our *Child Support Agency Charter* (CSA 2027), which was published in April 1993. Our 1994/95 performance against these standards is set out below.

Performance against almost all of our Charter Standards has been disappointing in 1994/95. As our understanding of the business has developed, it has become apparent that the current Charter Standards are not directed towards the full range of services we provide and some of them make no allowances for the complexity

of much of our work. Nor do they reflect difficulties flowing from the need to get information from, and agreed by, at least two people in every one of our cases.

**To provide a maintenance assessment within 5 days of receiving all the information we need from both parents**

Achieved in 15 per cent of cases

**To respond to 80 per cent of all telephone calls within 20 seconds:**

**(a) to the National Enquiry Line**

Achieved in 90 per cent of cases

**(b) to Child Support Agency Centres**

Achieved in 66 per cent of cases

**To respond to written enquiries within 10 working days**

Achieved in 35 per cent of cases

**To acknowledge written complaints within 2 working days**

Achieved in 79 per cent of cases

**To issue a full response within 10 working days**

Achieved in 34 per cent of cases

**To see callers in local offices within 20 minutes**

Achieved in 100 per cent of cases

# appendix 1

## key workload volumes<sup>1</sup>

**Maintenance assessment** – This relates to the work involved in dealing with a new application for maintenance to be assessed. Interim maintenance assessments are issued when the absent parent does not reply to a maintenance enquiry form promptly or fully. Other clearances are cases in which it is not possible to complete an assessment (for example because the absent parent lives abroad or where paternity is not proved, where a parent with care withdraws her application before a case has been assessed, or where 'good cause' for not co-operating with the Agency is accepted).

Maintenance application forms issued	398,584
Full maintenance assessments completed (A)	187,220
Interim maintenance assessments completed (B)	63,616
Total assessments completed (A + B)	250,836
Other clearances (C)	317,313
Total clearances (A + B + C)	568,149
Work on hand	425,561

(The Agency would expect to have around 250,000 cases on hand at any one time once 'steady state' has been reached.)

**Account maintenance**<sup>2</sup> – This relates to the day-to-day servicing of cases in which maintenance is due to be paid through the Agency collection service, and includes dealing with post and telephone calls, and acting on alerts from the computer system that intervention is required (eg when a payment is overdue).

Work received	664,628
Work cleared	644,837
Work on hand at 31 March 1995	66,667

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<sup>1</sup>All figures relate to the period 1 April 1994–31 March 1995 unless otherwise stated. Figures may not sum with those previously published due to definitions being revised.

<sup>2</sup>Information became available from 18 November 1994. Work on hand does not sum as it includes work received before 18 November 1994.

**Debt management**<sup>2</sup> – This relates to taking action on a case when it falls into arrears.

Work received	44,246
Work cleared	32,810
Work on hand at 31 March 1995	64,975
Deduction from Earnings Orders issued	32,027

**Litigation**<sup>2</sup> – Cases are referred for litigation when an absent parent fails to pay after debt management action and a deduction from earnings order is not appropriate (for example if the absent parent is self-employed). It involves taking court action to obtain a liability order, and subsequent enforcement of the order through the courts.

Work received	6,973
Work cleared	6,597
Work on hand at 31 March 1995	4,440

**Second tier reviews** – If clients think that the decision about their maintenance assessment is wrong they have the right to have this decision reviewed. The case is looked at by a different Child Support Officer. This is known as a second tier review.

Requests received	27,295
Requests cleared	28,272
Work on hand at 31 March 1995	7,252

**Appeals** – If clients think that the maintenance assessment decision is wrong they have the right to appeal to an Independent Tribunal known as the Child Support Appeal Tribunal. Clients send their appeals to the Independent Tribunal Service (ITS), who then ask the Agency to prepare a submission setting out the facts of the appeal.

Appeals received from ITS	6,654
Appeal submissions returned to ITS	5,229
Work on hand at 31 March 1995	2,855

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<sup>2</sup>Information became available from 18 November 1994. Work on hand does not sum as it includes work received before 18 November 1994.

# appendix 2

## targets for 1995/96

**Maintenance:** £300 million of maintenance to be collected, or arranged for direct payment from absent parent to parent with care, in 1995/96<sup>3</sup>.

**Payment:** 90 per cent of payments made to parents with care to be made within 10 working days of receipt from an absent parent.

**Accuracy:** To achieve a rapid and continuing improvement in accuracy, so that in at least 75 per cent of cases checked during March 1996 the cash value will be for the correct amount.

**Reviews:** Where a client is dissatisfied with a Child Support Officer's decision and requests a review, 50 per cent to be cleared within 13 weeks; 80 per cent to be cleared within 26 weeks; and no more than 20 per cent to be older than 26 weeks as at 31 March 1996.

**Maintenance assessment clearance time:** 60 per cent of new maintenance applications to be cleared within 26 weeks and as at 31 March 1996 no more than 10 per cent of all maintenance applications received by the Agency to be over 52 weeks old<sup>4</sup>.

**Client satisfaction:** To achieve a score of 65 per cent on an index of client satisfaction with the Agency's service, as determined by an independent national survey.

**Budget:** To manage the Agency's resources so as to deliver its Business Plan within the gross budget allocation.

### milestone targets

- By the end of 1995, to commence the take-on of cases previously deferred in December 1994;
- To examine the characteristics of outstanding maintenance applications, and by September 1995 draw up and implement a plan to enable the Agency further to improve the management of this work;
- By 31 March 1996 to collate, validate and analyze information to inform the wider evaluation of child support policy, and publish a regular statistical report.

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<sup>3</sup> The maintenance target comprises the following two forecast components: £140 million of maintenance will be collected by the Agency; and £160 million assessed by the Agency for direct payment by absent parents to parents with care.

<sup>4</sup> It is forecast that benefit savings amounting to £540 million will result from the achievement of this target and that relating to maintenance collected or arranged.



# child support agency annual accounts 1994/95



# foreword to the accounts

## statutory background

The Child Support Agency ('the Agency') was established as an Executive Agency of the Department of Social Security (DSS) on 5 April 1993 under the 'Next Steps' initiative.

The Agency presents its audited accounts for the financial year ended 31 March 1995. The accounts have been prepared in accordance with the Treasury Accounts Direction reproduced in the Appendix to these accounts and in pursuance of section 5 of the Exchequer and Audit Departments Act 1921.

## principal activities

The Agency is responsible for the assessment and collection and, where necessary, enforcement of child support maintenance.

## results on an accruals basis

The Operating Account shows, on an accruals basis, income received for the provision of assessment and collection services, and the net cost of operations.

The net cost of operations, which amounted to £192.4 million represents the value of work undertaken by the Agency on behalf of the Secretary of State. It has been calculated after including a number of notional and other non-cash costs which are borne by the Exchequer. Details are given in the Notes to the Accounts.

## post year-end events

Legislative changes introduced from 18 April 1995 suspend the charging of interest and fees for two years. Fees and a system introducing penalties will again come into play in 1997 and details will be released when available.

## research and development

It is the Agency's policy to keep abreast of all technical innovations, products and systems developments in the fields in which it operates.

## tangible fixed assets

The Agency does not own any of the freehold or long leasehold premises, or related land, which it occupies. The Property Repayment System, managed by Property Holdings, is in operation, under which a rental, based on current market rent, is paid and charged to the Operating Account.

Tangible fixed assets are valued at their net current replacement cost. Details of changes in fixed asset balances over the year, as given in Note 7, include additions for the year of £3.0 million. Relevant proportions of the tangible fixed assets exclusively and jointly used by the Belfast CSA Centre are included. Tangible fixed assets used exclusively by CSA Northern Ireland and their share of those used jointly are excluded.

## payments to suppliers

The Agency is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in contracts. If there is no contractual provision or other understanding they are due to be paid within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. During the year 96 per cent of bills were paid within this standard.

## reserves

The net cost of operations for the period was £192.4 million which has been transferred to the General Fund.

## disabled employees

The Child Support Agency complies with Equal Opportunities legislation and follows DSS policy in relation to disabled employees. Initiatives include a disability survey, funding for special aids and equipment and employment of staff under the Supported Employment Scheme.

## audit

These accounts have been audited by the Comptroller and Auditor General whose Certificate and Report appear on pages 24 to 25 and 45 to 53 respectively.

## board members

As at 31 March 1995 the CSA Board of the Agency comprised:

Miss A Chant	Chief Executive (appointed 12 September 1994)
Mr A Ward	Operations Director and Deputy Chief Executive (appointed 10 October 1994)
Mr D Rutherford CBE	Finance Director (appointed 31 October 1994)
Mr J Hughes	Policy Liaison Director
Ms C Francis	Personnel Director
Mr P Sharkey	Senior Operations Director to 9 October 1994 and then Business Development and Support Director

Mrs R Hepplewhite ceased to be Chief Executive with effect from 9 September 1994.

Mr D Brown (Resources Director) transferred to another post within the DSS with effect from 14 October 1994.

Mr P Sharkey ceased to be Business Development and Support Director with effect from 17 April 1995 and was replaced by Mr S Heminsley with effect from 1 June 1995.

## statement of Agency's and Chief Executive's responsibilities

Under section 5 of the Exchequer and Audit Departments Act 1921, the Treasury has directed the Child Support Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction in the Appendix to these accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the account the Agency is required to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer for the Department of Social Security has appointed the Chief Executive of the Child Support Agency as the Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for keeping proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting (HMSO).



Date: 11 July 1995

**Miss Ann Chant**  
**Chief Executive**

## the certificate and report of the Comptroller and Auditor General to the House of Commons

I have audited the financial statements on pages 26 to 40 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 32.

### **Respective responsibilities of the Agency, the Chief Executive and auditors**

As described on page 23 the Agency and the Chief Executive are responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

### **Basis of opinion**

I certify that I have examined the financial statements referred to above in accordance with the Exchequer and Audit Departments Act 1921 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board, except that the scope of my work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. With respect to the Statement of Client Funds and associated notes my audit indicated that some 26 per cent of assessments giving rise to the transactions underlying the Statement of Client Funds were inaccurate. In addition, a further 17 per cent of assessments were made in the absence of some of the required information. The evidence available to me, however, was insufficient to determine with reasonable certainty the full extent of these problems or to make a reasonable estimate of their financial impact.

The debtor and corresponding creditor balances disclosed in the Statement of Client Funds include significant proportions which may not be collected and paid over. The Agency are, however, unable to estimate the value of those proportions and have made no provision against debtors for the amount which may not be collected.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Qualified opinion arising from disagreement about accounting treatment and from limitation in audit scope**

As indicated above, no provision has been made against debtors, with a consequent reduction in creditors, for significant amounts which may not be collected and paid over. In my opinion such a provision against debtors and a related reduction in creditors should have been made.

Except for the absence of this provision, a related reduction in creditors and any other adjustments that might have been found to be necessary had I been able to obtain sufficient evidence concerning the debtor and creditor balances disclosed in the Statement of Client Funds, in my opinion the financial statements give a true and fair view of the state of affairs of the Child Support Agency and of its client funds balances at 31 March 1995, and of its net cost of operations, total recognised gains and losses and cash flows and movements on the client funds bank account for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and with the directions made thereunder by the Treasury.

Details of these matters are set out in paragraphs 10 to 31 of my Report.

**John Bourn**  
**Comptroller and Auditor General**  
12 July 1995

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

# child support agency annual accounts 1994–95

## operating account for the year ended 31 March 1995

	Notes	£'000	1994–95 £'000	unaudited 1993–94 £'000
Turnover	3		9,269	8,016
Expenditure:				
Staff costs	4	107,244		78,761
Other costs	5	93,601		67,594
Total operating costs			<u>200,845</u>	<u>146,355</u>
			191,576	138,339
Other income			<u>1</u>	<u>1</u>
Net cost of operations before interest on capital			191,575	138,338
Interest on capital employed	6		<u>818</u>	<u>746</u>
Net cost of operations			<u>192,393</u>	<u>139,084</u>

The net cost of operations arises wholly from continuing operations.

The Notes on pages 32 to 40 form part of these accounts.

# statement of total recognised gains and losses for the year ended 31 March 1995

	Notes	1994-95 £'000	unaudited 1993-94 £'000
Net cost of operations for the financial year		192,393	139,084
Unrealised surplus on revaluation of fixed assets	11b	<u>237</u>	<u>229</u>
Total recognised losses relating to the year		<u>192,156</u>	<u>138,855</u>

The Notes on pages 32 to 40 form part of these accounts.

# balance sheet as at 31 March 1995

	Notes	£'000	1995 £'000	unaudited 1994 £'000
Tangible fixed assets	7		11,833	10,545
Current assets				
Debtors	8	6,046		8,209
Cash in hand	9	<u>2</u>		<u>1</u>
		6,048		8,210
Current liabilities				
Creditors: amounts falling due within one year	10	<u>(6,204)</u>		<u>(3,172)</u>
Net current (liabilities)/assets			<u>(156)</u>	<u>5,038</u>
Total assets less current liabilities			<u>11,677</u>	<u>15,583</u>
Financed by:				
General Fund	11a		11,211	15,354
Revaluation Reserve	11b		<u>466</u>	<u>229</u>
			<u>11,677</u>	<u>15,583</u>

The accounts were approved by the Chief Executive on 11 July 1995



**Miss Ann Chant**  
**Chief Executive**

The Notes on pages 32 to 40 form part of these accounts.

# cash flow statement for the year ended 31 March 1995

	Notes	1994-95 £'000	unaudited 1993-94 £'000
Net cash outflow from operating activities	14a	(162,647)	(102,789)
Net cash outflow from investing activities:			
Cash payments to acquire fixed assets		(1,993)	(2,211)
Net cash outflow before financing		(164,640)	(105,000)
Financing:			
Net cash inflow from financing	14c	164,641	105,000
Net cash inflow after financing		1	0
Increase in cash and cash equivalents	14b	1	0

The Notes on pages 32 to 40 form part of these accounts.

# statement of client funds as at 31 March 1995

	Notes	1995 £'000	unaudited 1994 £'000
Current assets			
Debtors	15a	538,809	101,301
Cash	15b	6,313	4,418
		<u>545,122</u>	<u>105,719</u>
Current liabilities			
Creditors: amounts falling due within one year	15c	<u>(545,122)</u>	<u>(105,719)</u>

The notes on pages 32 to 40 form part of these accounts.

# movements on client funds bank account for the year ended 31 March 1995

	Notes	1994-95 £'000	unaudited 1993-94 £'000
Receipts:			
Cash from clients		79,422	14,880
Cash from Secretary of State	16	165	0
		<u>79,587</u>	<u>14,880</u>
Less:			
Cash paid to persons with care		26,622	2,914
Benefits repaid to Secretary of State		47,873	5,750
CSA fees paid to the Agency		1,994	1,731
Cash refunded to absent parents		1,203	67
		<u>77,692</u>	<u>10,462</u>
Total payments			
		<u>77,692</u>	<u>10,462</u>
Net receipts		1,895	4,418
Balance as at 1 April 1994		4,418	0
		<u>4,418</u>	<u>0</u>
Balance as at 31 March 1995		6,313	4,418
		<u>6,313</u>	<u>4,418</u>

The Notes on pages 32 to 40 form part of these accounts.

# notes to the accounts

## note 1 – accounting policies

### 1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention modified by the inclusion of fixed assets at current cost. The Accounts Direction is reproduced in the Appendix to these accounts.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act and the accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

### 1.2 Tangible fixed assets

Tangible fixed assets are capitalised at their cost of acquisition. Expenditure on office machinery with an individual cost of less than £1,000 is treated as an expense in the year in which it is incurred. Fixtures and fittings, office machinery and motor vehicles are revalued monthly by reference to appropriate indices based on the RPI to show their current replacement cost. IT equipment is held at historical cost. From 1 April 1995 all tangible fixed assets will be revalued monthly using Central Statistical Office (CSO) indices.

### 1.3 Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Furniture & fittings	10 years
IT equipment	5 years
Office machines	5–10 years
Motor vehicles	3 years

Fixed assets are depreciated from the month following acquisition. Under Treasury requirements an additional charge is made for backlog depreciation. This charge ensures that assets which are revalued are fully written off within their estimated useful lives.

### 1.4 Northern Ireland CSA

Fixed assets are in use in Great Northern Tower which houses both CSA Northern Ireland and the Belfast CSA Centre which serves an area of Great Britain. These accounts include the proportionate value of these assets, representing the extent of their ownership by CSA Great Britain. Assets in shared use by CSA Northern Ireland and CSA Great Britain are owned 80 per cent by CSA Great Britain (assets purchased in 1992–93 are owned 70 per cent by CSA Great Britain). Assets in use exclusively by the Belfast CSA Centre are owned 100 per cent by CSA Great Britain.

### 1.5 Land and buildings

The Agency does not own any freehold or leasehold land or buildings. All properties occupied by the Agency are part of the Common User Estate managed by Property Holdings for which rental charges are paid.

### 1.6 Notional costs

In accordance with the Treasury Guide to *Fees and Charges*, notional costs at the appropriate rate are included for interest on capital employed and for insurance. Amounts are also included for services provided by other DSS Agencies and HQ.

## note 2 – financial targets

The Child Support Agency was set the high level performance target of managing the Agency's resources so as to deliver agreed services within the approved 1994–95 Vote running cost and capital allocations. The draft, unaudited Appropriation Account indicates that this target has been achieved.

## note 3 – turnover

Turnover relates to fees invoiced for the provision of services in the period. The Agency operates in two principal areas of activity; the assessment and the collection of maintenance.

Total fees are set by reference to the estimated costs of the Agency over its first five years of operations. Fees are waived from clients if, for example, they are in receipt of state benefits. Fees waived are excluded from the face of the Operating Account. Fees are levied on both parties unless exemption criteria are met.

The charging of fees has been suspended for two years as from 18 April 1995.

## note 4 – staff costs

### (a) Total staff costs were:

	£'000	1994–95 £'000	unaudited 1993–94 £'000
Staff employed by CSA Great Britain:			
Wages and salaries	81,550		60,884
Social Security costs	5,933		4,676
Other pension costs	9,359		7,319
Early retirement costs	284		0
		97,126	72,879
Northern Ireland staff:			
Wages and salaries	8,669		5,494
Social Security costs	596		388
Other pension costs	853		0
		10,118	5,882
		107,244	78,761

Social Security costs comprise National Insurance Contributions, Statutory Sick Pay and Statutory Maternity Pay. Other pension costs relate to the superannuation scheme.

**(b) The average monthly number of employees on the Agency payroll (excluding Northern Ireland) during the year was 5,933 analysed as follows:**

	1994-95 Number of staff	unaudited 1993-94 Number of staff
Senior management	74	62
Executive	1,837	1,354
Administrative	4,022	2,409
	<u>5,933</u>	<u>3,825</u>

The average monthly number of employees on the Northern Ireland payroll during the year was 732. (1993-94 comparative not available.)

**(c) Board members and higher paid employees**

The remuneration, including bonus and taxable benefits, of the current Chief Executive (from 12 September 1994), who is an ordinary member of the Principal Civil Service Pension Scheme, was £37,029.

The remuneration, including bonus and taxable benefits, of the former Chief Executive, who was an ordinary member of the Principal Civil Service Pension Scheme, was £46,875 (1993-94: £51,606). The £46,875 includes a payment in lieu of contractual notice.

The following number of the other senior employees (see footnote) received remuneration falling within the following ranges:

	1995 Number of staff	unaudited 1994 Number of staff
£30,001-35,000	24	16
£35,001-40,000	7	6
£40,001-45,000	2	2
£45,001-50,000	3	2

The remuneration of the Chief Executive, other Board members and higher paid employees excludes employer's pension contributions. 1 Board member included in the above analysis was not an employee of the Agency, was self-employed, and received no remuneration in respect of pension contributions.

**(d) Superannuation Scheme**

The employees of the Child Support Agency are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The Agency staff are covered by the Principal Civil Service Pension Scheme which is a non-contributory scheme. The rate of the employer's contribution is determined from time to time by the Government Actuary and advised by the Treasury. For 1994-95 the rate was 13.5 per cent (1993-94: 13.5 per cent) for all employees. The accounts reflect the actual cost of the employer's contributions.

**(e) Early Retirement Scheme**

The Agency operates an Early Retirement Scheme which gives benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. The Agency bears the cost of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme.

The total pensions liability up to normal retirement age in respect of each employee is charged to the Operating Account in the year in which the employee takes early retirement.

**note 5 – other costs**

The operating deficit for the year is stated after charging:

	1994–95 £'000	unaudited 1993–94 £'000
Accommodation	11,666	10,296
Consultancy	7,464	2,502
Contracted out services	3,096	0
Training	1,297	1,860
Travel & subsistence	3,673	3,465
Provision for bad debts	9,000	0
Other staff costs	968	1,304
Depreciation	1,996	1,385
Insurance	221	164
Audit fee	275	0
Postage, printing & stationery	3,340	1,731
Telecommunications	2,492	1,485
Loss on disposal of fixed assets	2	23
Other costs	3,692	4,205
Special payments	173	0
Equipment rental	252	246
Northern Ireland notional costs	83	67
VAT recovered	(1,925)	(239)
Costs of services provided by other DSS Agencies and DSS HQ	21,156	23,140
Costs of information technology services provided by ITSA	24,680	15,960
	<u>93,601</u>	<u>67,594</u>

A provision for bad debts of £9 million has been made in order to allow for the potential non-payment of fees. (See note 8.)

Certain charges and services, included above, namely insurance and audit are provided without the transfer of cash.

No outside insurance is effected against fire, explosion, common law, third party and similar risks. A notional charge based on commercial rates has been made to reflect the costs of such risks.

The audit fee represents the cost of the audit of the annual accounts carried out by the Comptroller and Auditor General.

Inter-agency charges were also incurred without the transfer of cash during 1994–95. These reflect the value of work carried out by each DSS Agency and HQ on behalf of other DSS Agencies.

**note 6 – interest on capital employed**

In accordance with Treasury guidelines notional interest is charged on the basis of 6 per cent of the average cost of capital employed by the Agency. Capital employed is defined as total assets less current liabilities.

## note 7 – tangible fixed assets

	Fixtures & fittings £'000	IT equipment £'000	Office machinery £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 April 1994	7,926	2,153	2,133	850	13,062
Additions	1,392	870	693	94	3,049
Disposals	0	(2)	0	0	(2)
Revaluation	185	0	55	12	252
At 31 March 1995	<u>9,503</u>	<u>3,021</u>	<u>2,881</u>	<u>956</u>	<u>16,361</u>
<b>Depreciation</b>					
At 1 April 1994	1,806	264	185	262	2,517
Charge for year	840	513	343	300	1,996
Disposals	0	0	0	0	0
Backlog depreciation on revaluation	10	0	3	2	15
At 31 March 1995	<u>2,656</u>	<u>777</u>	<u>531</u>	<u>564</u>	<u>4,528</u>
<b>Net Book Value</b>					
31 March 1995	<u>6,847</u>	<u>2,244</u>	<u>2,350</u>	<u>392</u>	<u>11,833</u>
1 April 1994	<u>6,120</u>	<u>1,889</u>	<u>1,948</u>	<u>588</u>	<u>10,545</u>

Total additions in the year were £3.0 million. A further £1.9 million of expenditure relating to capital additions made on behalf of DSS, is excluded from these accounts because the Property Repayment System is in operation. (See note 14c.)

Motor vehicles, office machinery and information technology equipment used by the Agency costing £0.094 million, £0.232 million and £0.73 million respectively (1993–94 costing £0.12 million, £0.87 million and £1.17 million respectively) were purchased during the year by other Agencies. The total cost (£1.056 million) of these assets is included in the CSA's balance sheet. (See note 11a.)

## note 8 – debtors (amounts due within one year)

	1995 £'000	unaudited 1994 £'000
Trade debtors – fees	4,622	6,382
Government department debtors	71	1,031
Other debtors and prepayments	1,353	796
	<u>6,046</u>	<u>8,209</u>

Trade debtors is shown net of a £9 million provision. (See note 5.)

## note 9 – cash in hand

	1995	unaudited
	£'000	1994
		£'000
Cash in hand	2	1

In common with other DSS Agencies the CSA does not maintain its own bank account. Receipts and payments pass through an account held on behalf of the DSS by the Benefits Agency.

## note 10 – creditors (amounts falling due within one year)

	1995	unaudited
	£'000	1994
		£'000
Trade creditors	1,694	420
Other creditors	680	719
Tax and Social Security	2,265	1,802
Accruals and deferred income	1,281	231
Early retirement provision	284	0
	6,204	3,172

## note 11 – reconciliation of movement in reserves and government funds

(a) General Fund		1994-95	unaudited
	Notes	£'000	1993-94
			£'000
Balance as at 1 April 1994		15,354	8,240
Assets held as at 31 March 1993 now capitalised		0	82
Depreciation adjustment on assets held as at 31 March 1993		0	(1,114)
Net cash inflow from financing 1994-95	14c	164,641	105,000
Transferred from Operating Account		(192,393)	(139,084)
Costs of information technology services provided by ITSA		0	15,960
Costs of services provided by other DSS Agencies and DSS HQ		21,156	23,140
Notional costs and other non-cash charges		1,397	977
Fixed asset purchases by other Agencies on behalf of the Child Support Agency	7	1,056	2,153
Balance as at 31 March 1995		11,211	15,354

The General Fund represents the value of assets employed by the Agency in its operating activities.

Costs of information technology services provided by ITSA are included in net cost of operations before interest in 1994-95. In 1993-94 these costs were treated as notional costs.

<b>(b) Revaluation Reserve</b>		1994-95	unaudited 1993-94
	Notes	£'000	£'000
Balance as at 1 April 1994		229	0
Surplus on revaluation of fixed assets	7	252	247
Charge for current cost backlog depreciation	7	(15)	(18)
Balance as at 31 March 1995		<u>466</u>	<u>229</u>

The Revaluation Reserve represents the revaluation of fixtures and fittings, office machinery and motor vehicles to current cost.

### **(c) Net movement in Government Funds**

	1994-95	unaudited 1993-94
	£'000	£'000
Net movement in General Fund	(4,143)	8,146
Net movement in Revaluation Reserve	<u>237</u>	<u>229</u>
Net movement in Government Funds	<u>(3,906)</u>	<u>8,375</u>

## note 12 – capital commitments

Amounts contracted for but not provided in the accounts amounted to £0.6 million (1993-94: nil).

Amounts authorised by the Board but not contracted for were £0.6 million (1993-94: nil).

## note 13 – contingent liabilities

Contingent liabilities may arise in certain circumstances, due to compensation to clients resulting from Agency errors but at this stage it is not practicable to make an estimate of the numbers and potential values involved.

## note 14 – notes to the cash flow statement

### **(a) Reconciliation of operating deficit to net cash outflow from operating activities:**

	1994-95	unaudited 1993-94
	£'000	£'000
Net cost of operations before interest	(191,575)	(138,338)
Depreciation	1,996	1,385
Loss on disposal of fixed assets	2	23
Notional operating costs	21,735	39,331
Decrease/(increase) in debtors	2,163	(7,845)
Increase in creditors	<u>3,032</u>	<u>2,655</u>
Net cash outflow from operating activities	<u>(162,647)</u>	<u>(102,789)</u>

**(b) Analysis of changes in cash and cash equivalents during the year:**

	1995 £'000	unaudited 1994 £'000
Balance as at 1 April 1994	1	1
Net cash inflow	1	0
Balance as at 31 March 1995	2	1

Cash and cash equivalents comprise only the petty cash balance. There are no bank overdrafts or short term investments.

**(c) Reconciliation of financing:**

		1994-95 £'000	unaudited 1993-94 £'000
Advances from DSS			
Net Parliamentary Vote to Child Support Agency	(i)		107,005
Net adjustments for movements on suspense account balances	(i)		(188)
Cash inflow from financing	(i)	166,573	106,817
less: non-Agency capital additions	(ii)	(1,932)	(1,817)
Net cash inflow from financing		164,641	105,000

- (i) The Parliamentary Vote Account for 1994-95 for the DSS (Class XIII, Vote 4 1994-95) had not been finalised when the accounts were drawn up, and the figures were not available. A reconciliation will be made in 1995-96.
- (ii) The cost of major improvements to occupied properties (£1.9 million shown above) has been deducted from the operating costs as the Agency is already charged rent on the properties which it occupies. This rental charge includes an amount for building improvements and the adjustment is to avoid double charging in the accounts.

**note 15 – notes to the client funds statement**

This statement is a statement of balances relating to:

- (a) fees due to the Agency from absent parents and persons with care;
- (b) cash at bank comprising: (i) fees collected not yet paid on to the Agency; and (ii) maintenance collected not yet paid on to persons with care or the Secretary of State; and
- (c) maintenance due to persons with care and the Secretary of State from absent parents.

**(a) Debtors**

	1995	unaudited 1994
	£'000	£'000
Fees due from clients (i)	13,622	6,382
Maintenance due from absent parents (ii)	525,187	94,919
	<u>538,809</u>	<u>101,301</u>

- (i) It is estimated that approximately £9 million of fees due from clients may prove to be uncollectable (see note 5).
- (ii) A proportion of the maintenance debt may be uncollectable, in particular as an estimated 75 per cent of the debt arises from Interim Maintenance Assessments (IMAs) imposed under legislation that applied until April 1995. IMA charges are set at a punitive level with no regard for the absent parents financial circumstances, and thus compliance will be very difficult to achieve, although the total debt remains mainly legally enforceable.

**(b) Cash at bank**

	1995	unaudited 1994
	£'000	£'000
Funds awaiting clearance	3,459	1,820
Cleared funds awaiting distribution	2,854	2,598
	<u>6,313</u>	<u>4,418</u>

The Agency receives an abatement of its bank charges instead of interest on the cash balance.

**(c) Creditors: amounts falling due within one year**

	1995	unaudited 1994
	£'000	£'000
Fees due to Agency	13,622	6,382
Maintenance due to persons with care and Secretary of State	531,500	99,337
	<u>545,122</u>	<u>105,719</u>

Maintenance due includes an estimated £444 million (1993–94: £87 million) which, when received, will be transferred to the Secretary of State to reimburse previous Income Support payments.

**note 16 – note to the movements on client funds bank account**

Cash received from the Secretary of State (Class XIII, Vote 4) is for refunds of overpayments by absent parents who are in receipt of benefits and whose future maintenance liability is nil.

# appendix

## Child Support Agency accounts direction given by the Treasury

The Treasury, in pursuance of Section 5 of the Exchequer and Audit Departments Act 1921, hereby gives the following Direction.

1. The statement of accounts which it is the duty of the Child Support Agency to prepare in respect of the financial year ended 31 March 1995 and in respect of any subsequent financial year shall comprise:

- (a) a foreword;
- (b) an operating account;
- (c) a statement of total recognised gains and losses;
- (d) a balance sheet;
- (e) a cash flow statement;
- (f) a statement of client funds; and,
- (g) a statement of the movements on the client funds bank account

including in each case such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The Child Support Agency shall observe all relevant accounting and disclosure requirements given in *Government Accounting* and in the Treasury booklet *Trading Accounts: A Guide for Government Departments and Non-Departmental Public Bodies* (the Trading Accounts booklet) as amended or augmented from time to time.

3. The statement of accounts referred to above shall give a true and fair view of the income and expenditure, state of affairs and cash flows of the Child Support Agency. Subject to the foregoing requirement, the statement of accounts shall also, without limiting the information given and as described in Schedule 1 of this Direction, meet:

- (a) the accounting and disclosure requirements of the Companies Act;
- (b) best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board with the exception of the requirement contained in FRS 3 for the inclusion of a note showing historical cost, profits and losses;
- (c) any disclosure and accounting requirements which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view; and

- (d) any additional disclosure requirements contained in *The Fees and Charges Guide*, in particular those relating to the need for appropriate segmental information for different services or forms of service provided for which a charge is made;

insofar as these are appropriate to the Child Support Agency and are in force for the financial period for which the statement of accounts is to be prepared.

- 4. Additional disclosure requirements are set out in Schedule 2 of this Direction.
- 5. The operating account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs.

**Jamie Mortimer**

**Treasury Officer of Accounts**

Dated: 29 June 1995

# schedule 1

## application of the Companies Act's requirements

1. The disclosure exemptions permitted by the Companies Act in force for the financial period for which the statement of accounts is to be prepared shall not apply to the Child Support Agency unless specifically approved by the Treasury.
2. The foreword shall contain the information required by the Companies Act to be disclosed in the Directors' Report, to the extent that such requirements are appropriate to the Child Support Agency.
3. In preparing its operating account, CSA shall adopt format 1 prescribed in Schedule 4 to the Companies Act modified to the extent necessary to give the information described in paragraph 2 of Schedule 2.
4. In preparing its balance sheet, CSA shall adopt format 1 prescribed in Schedule 4 to the Companies Act to the extent that such requirements are appropriate to CSA. Regard should be had to the examples in Annex C of the Trading Accounts booklet, in particular the requirement to strike the balance sheet totals at 'Total Assets less current liabilities'.
5. The foreword and balance sheet shall be signed and dated by the Chief Executive.
6. Although the Agency prepares its accounts under modified historical cost convention, it is exempt from providing the additional information required by paragraph 33 (3) of Schedule 4 of the Companies Act.

# schedule 2

## additional disclosure requirements

1. The foreword shall state that the accounts have been prepared in accordance with a direction given by the Treasury in pursuance of section 5 of the Exchequer and Audit Departments Act 1921.
2. The foreword shall include a brief history of the Child Support Agency and its statutory background. Regard should be had to Annexes B and C of the Trading Accounts booklet.
3. The Child Support Agency shall prepare in respect of the financial year ended 31 March 1995 and in respect of any subsequent financial year a statement of client funds and a statement showing the year-on-year movement on the client funds bank account. These shall be published along with the other primary financial statements and should be produced following the format in the annex to this schedule.
4. The notes to the accounts shall include, *inter alia*:
  - (a) details of the key high level corporate financial targets set by the responsible Minister together with an indication of the performance achieved;
  - (b) a 'Statement of General Fund' showing how the Parliamentary grant received has been used to finance the deficit for the year. The statement shall also show separately the balance on the General Fund brought forward from the previous financial year as adjusted by subsequent reconciliation with the actual grant for that year and the balance carried forward to the next;
  - (c) if appropriate, an analysis showing the financial objectives, full cost, income, surplus/deficit and performance against financial targets for each service.
5. The Accounts Direction shall be reproduced as an appendix to the accounts.

# annex to schedule 2

## format of statement of client funds and statement of movements on the client funds bank account

1. The following statements shall show figures for the reporting year and comparative figures from the previous year. Minor amendments to the format of the statements, to reflect changes in circumstances or for the purpose of improving clarity, may be made with the agreement of the National Audit Office and without further reference to the Treasury.

### Statement of Client Funds

2. This statement is a statement of balances relating to:
  - (a) fees due to the Agency from absent parents and persons with care;
  - (b) cash at bank comprising:
    - (i) fees collected not yet paid on to the Agency;
    - (ii) maintenance collected not yet paid on to the persons with care or the Secretary of State; and
  - (c) maintenance due to persons with care and the Secretary of State from absent parents.
3. This statement shall comprise the following two categories, the total of each being equal to the other:
  - (a) assets, comprising of, *inter alia*, debtors (divided into amounts falling due within one year and amounts falling due in more than one year) and cash at bank;
  - (b) liabilities, comprising of, *inter alia*, creditors (divided into amounts falling due within one year and amounts falling due in more than one year).

### Statement of Movements on the Client Funds Bank Account

4. This statement shall comprise of the following categories:

Cash received from all sources, *less*

  - (a) Cash paid to persons with care;
  - (b) Amounts paid to the Secretary of State in respect of maintenance received for persons with care who are in receipt of Income Support;
  - (c) CSA fees paid on to the Agency; and
  - (d) Other payments made (if any).
5. The movements should be shown as 'Net Receipts/Payments' and will equal the difference between the balances on the bank account at the beginning and end of the financial year.

### Notes to the Statements

6. The statements shall be accompanied by notes analysing the figures within each category, showing separately for maintenance and fees (where known), *inter alia*:
  - i) amounts due or received from absent parents and due to persons with care;
  - ii) amounts due or received from absent parents and persons with care and due to the Secretary of State;
  - iii) amounts received awaiting allocation to i) and ii) above.

# Child Support Agency Accounts 1994–95

## report of the Comptroller and Auditor General

### background

1. The Child Support Agency (the Agency) were established as an Executive Agency of the Department of Social Security on 5 April 1993 to implement the Child Support Act 1991 and to operate a new system of child maintenance – an amount of money that parents who live apart from their children may be required to pay as a contribution to the upkeep of their children. The main objective of the Agency, as set out in their business plan, is to ensure that parents who live apart both maintain their children whenever they can afford to do so and thus keep to a minimum the burden on the general taxpayer. Specific objectives include ensuring that maintenance assessments are accurate and that payments are regular; providing a service to clients that is accessible, courteous, fair and efficient; and making the most efficient and effective use of available resources. The Agency's principal activities are summarised at Figure 1.

Figure 1  
The Agency's Principal Activities

<b>Child maintenance assessments</b>	contacting absent parents
	completing assessments using the formula contained in regulations approved by Parliament
	notifying both parties of the assessment made and arranging a suitable payment method
	reviewing assessments regularly and when there is a change of circumstances
<b>Child maintenance payments</b>	collecting payments at the request of either party
	passing on payments collected
	taking action to recover arrears and re-establish payment
<b>Other</b>	providing information and advice through publications and a national enquiry telephone line
	preparing and, where appropriate, presenting appeals to be heard by the independent Child Support Appeal Tribunal
	liaising with the Social Security Benefits Agency as required where clients are receiving benefit

### financial targets

2. The Secretary of State for Social Security set the Agency the financial target for 1994–95 of managing their resources so as to deliver the approved business plan for the financial year within the Vote allocation of £184 million. Achievement against this target will be confirmed by my audit of the relevant Appropriation Account.

## accounting and auditing requirements

3. The Agency's financial transactions are reported both in the Appropriation Accounts of the Department of Social Security and in a separate accruals based Agency Account.

The Appropriation Accounts are subject to my audit and report Agency transactions as follows:

- Class XIII, Vote 4, subhead F: the operational costs of the Agency;
  - Class XIII, Vote 1, subhead HZ: child maintenance payments collected by the Agency and paid to the Secretary of State to offset social security benefit payments to persons with care of children;
  - Class XIII, Vote 4, subhead FZ: Fees charged by the Agency for making assessments and collecting maintenance. With the approval of the Secretary of State, no charges will be levied for the two years commencing April 1995.
4. The Treasury have issued a direction, under Section 5 of the Exchequer and Audit Departments Act 1921, requiring the Agency to prepare financial statements, for each successive financial year commencing with 1994–95. These financial statements disclose the administrative income and expenditure and related balances of the Agency; and the balances and movements on the client funds accounts managed by the Agency. As a consequence of the direction having been issued, I am now required, under section 5(3) of the 1921 Act, to examine these financial statements and to certify and report on them to the House of Commons.

## the audit of the Agency's financial statements

### Prior year balances

5. In forming my opinion on the 1994–95 financial statements, I necessarily included, in my audit of the balance sheet, an examination of the balances brought forward at 1 April 1994. While the findings from my examination were satisfactory, I noted that the Agency have reduced the net value of fixed assets at 31 March 1994, as disclosed in their unaudited balance sheet for 1993–94, from £11,577 thousand to £10,545 thousand.
6. This change comprised two adjustments, both relating to assets transferred to the Agency on 5 April 1993. The first brought to account accumulated depreciation of £1,114 thousand as at 5 April 1993. While the gross costs of the related assets were correctly included, the omission of the accumulated depreciation resulted in an overstatement of their net value. The second adjustment brought to account costs of office machinery (£82 thousand) not included as fixed assets at 5 April 1993.
7. As a result of the Agency restating their opening balance for fixed assets, a corresponding reduction has been made to the balance on the General Fund from £16,386 thousand to £15,354 thousand at 31 March 1994.

### Fee income debtors

8. Fees invoiced in 1994–95 totalled £9,269 thousand (1993–94: £8,016 thousand). Fees due to the Agency but not received at 31 March 1995 totalled £13,622 thousand. The Agency have, however, reduced the value of these outstanding fees in the balance sheet to £4,622 thousand by making a provision of £9,000 thousand (1993–94: Nil) to reflect their estimate of the proportion of the fees which, although legally due, might not be collected.

## **Conclusion**

9. I examined the Agency's operating account, statement of total recognised gains and losses, balance sheet and cash flow statement with satisfactory results. My opinion on these statements is, therefore, unqualified and I have no further comments to make on them in this report

## **the audit of the statement of client funds and movement on client funds bank account**

10. In addition to the primary financial statements normally prepared by departmental executive agencies, the Child Support Agency are required to provide two other statements which I am also required to audit as part of my examination of the Agency's accounts. These statements disclose the total of balances on the Agency's client funds accounts and the movements in the Agency's client funds bank account. The client funds accounts record maintenance due and received from absent parents where the Agency are the collecting agent, and the maintenance due and paid to persons with care of children or to the Secretary of State; fees due and received from parents, and those due and paid to the Agency. The client funds bank account also records the balance of cash at bank awaiting clearance and allocation to individual client funds accounts for payment to persons with care, the Secretary of State or the Agency.
11. Following my audit of the 1993–94 Appropriation Account for Class XIII, Vote 1 (HC670-ix), I reported on errors and a shortfall of receipts arising from inaccuracies in maintenance assessments and from delays in recovering maintenance due, including shortcomings in the Agency's management of their debtors. These matters were the subject of my memorandum to the Committee of Public Accounts which was considered at their hearing on 19 June 1995. The following paragraphs deal with the same concerns which arise from my examination of the balances on and movements in client funds accounts as disclosed in the Agency's 1994–95 accruals based financial statements.

## **Accuracy of maintenance assessments**

12. Maintenance assessments are made by the Agency's staff operating within detailed statutory regulations. Many of these assessments are complex, reflecting the circumstances of individual cases, and could involve the Agency in gathering over one hundred items of information. The accuracy of maintenance assessment calculations made by the Agency is often dependent on obtaining complete and precise information from both parents. Such information received by the Agency has all too frequently been incomplete, inaccurate or inconsistent.
13. Another important factor affecting the accuracy of maintenance assessment calculations is the extent to which the Agency's staff follow approved adjudications standards and procedures for making assessments. These standards and procedures have not always been fully complied with. The most common shortcomings have been Agency staff completing assessments despite inadequate information being received from parents; incomplete or inaccurate recording of adjudication decisions; failures properly to determine earnings and housing costs; inadequate verification of the higher rate of child benefit; and failures to set the correct date at which maintenance liability begins. These have led, in many cases, either to errors having a financial impact on the value of maintenance assessed or to assessments which cannot be enforced, thereby affecting the amounts of maintenance received from absent parents and the corresponding amounts paid over to either persons with care of children or to the Secretary of State.
14. Since 1993 the Agency have taken a number of actions to improve their operational performance. These have focused on improving management control and organisational flexibility; increasing productivity while enhancing quality; reviewing operational policy and procedures; controlling the workload; and making the best use of existing staff and additional resources. In addition, the Agency have taken steps specifically aimed at improving the accuracy of their maintenance assessments. These are summarised at Figure 2.

Figure 2

## Main steps taken by the Agency to improve the accuracy of its maintenance assessments

- a. The introduction of quality assurance teams from January 1994. These teams are tasked with checking the accuracy of one per cent of all completed maintenance assessments.
- b. The standardisation of working practices of quality assurance teams from September 1994.
- c. The availability to senior management of information on error rates on a regular monthly basis from September 1994.
- d. Extra training for staff. This has focused on the weaker areas (for example, housing costs and earnings).
- e. From February 1995 supervisory staff have been tasked with checking, before the completion of the assessment, all items known to be prone to error, such as earnings and housing costs.
- f. The circulation of quality assurance findings (see a above) to all line managers from February 1995.

15. At the end of 1994–95, the Agency began implementing the recommendations arising from quality assurance research, completed in early 1995, which sought to improve adjudication standards. Recommendations arising from this research included the need for:
  - (a) the Agency's quality objectives to receive equal prominence as their quantity of cases processed objectives;
  - (b) casework officers to retain responsibility for, and therefore ownership of, individual cases;
  - (c) additional training for supervisors to ensure standards of technical proficiency is adequate to perform their allocated quality checks; and
  - (d) improved recording of assessment decisions and of recording and filing casework evidence.
16. The Agency's own checks indicated that in 1993–94 there were procedural failures in more than 65 per cent of the assessments made, and that possibly 40 per cent contained errors affecting the financial accuracy of maintenance assessments. Checks completed by my staff on a sample of these assessments confirmed that procedural failings and financial errors were a significant problem.
17. Accuracy of maintenance assessments has shown some improvement during 1994–95. As part of my audit of the Agency's 1994–95 financial statements, my staff examined two statistically representative random samples of assessments completed during the financial year. This work indicates that the levels of accuracy for the whole year were 47.5 per cent and for the last two months of 1994–95 were 51.3 per cent (Figure 3).
18. The Agency tell me that they are continuing to make improvements in their quality control procedures. These include quantifying and reporting the financial impact of errors in order to emphasise to all levels of management the need for improvements; and the implementation of quality checks prior to completion of assessments in order to minimise the issue of erroneous maintenance assessments.
19. The results of my examination indicate a high incidence of errors made during 1994/95 (35.9 per cent); 25.9 per cent contained financial errors and 10.0 per cent have resulted mainly in unenforceable interim maintenance assessments. For a further 16.6 per cent of the cases, Agency staff made assessments, despite having insufficient information to support their decisions.

Figure 3

### Summary of findings of the examination by the National Audit Office of Child Support Agency's maintenance assessments completed in 1994–95

	1994–95		February and March 1995
	Per Cent		Per Cent
a. Maintenance assessments correct in all respects	33.5	} 47.5	34.2
b. Maintenance assessments where adjudication errors had occurred, but which were nevertheless financially accurate (see note 1)	14.0		17.1
c. Insufficient evidence to determine whether or not the maintenance assessments were accurate (see note 2)	16.6		14.2
d. Definite financial errors in maintenance assessments, the value of which could not be determined (note 3)	14.6	} 35.9	16.2
e. Definite financial errors in maintenance assessments, the value of which could be determined (note 4)	11.3		10.8
f. Maintenance assessments invalid, illegal or unenforceable (see note 5)	10.0		7.5
	<u>100.0</u>		<u>100.0</u>

#### Notes

1. For example, a nil value maintenance assessment due to insufficient earnings, where the Agency's staff miscalculated the absent parent's protected income, could still have been a nil value assessment had it been correctly calculated.
2. Assessments made despite the absence of some required information, as a result there was insufficient evidence available to determine accuracy of the assessment. The lack of evidence could only be rectified by seeking further information from one or more of the parties involved.
3. There was sufficient evidence to determine that a financial error had occurred, but it was not possible to calculate the correct value of the assessment without seeking further information from one or more of the parties involved.
4. There was sufficient evidence to determine that a financial error had occurred and to calculate the correct value of the assessment without seeking any additional information.
5. Mainly interim maintenance assessment cases where the effective date of the assessment is incorrect and, as a result, the assessment is unenforceable in law.

20. For less than half of the cases containing financial errors, my staff found that the Agency held sufficient information to calculate the correct value of the maintenance due. Of these cases, approximately half related to under-assessments, the largest of which was £19.41, with an average of £4.51. The remainder related to over-assessments, the largest of which was £55.63, with an average of £10.40. Examples of some financial errors made by the Agency in 1994–95 are described at Figure 4.

## Examples of errors that may result in financial inaccuracies

### Employed earnings

- incorrect period used in calculating average earnings.
- bonuses – often not included or included but not averaged over the period to which the bonus relates.
- overtime – inclusion of overtime payments at a level not reflective of normal overtime levels.
- holiday pay – inclusion of holiday period at the basic rate or as unpaid leave.
- sick pay – inclusion of sick pay in the calculation of normal earnings.
- taxation – failure to take into account the tax effect of adjustments to gross earnings.

### Housing costs

- misinterpretation of the type of mortgage; eg endowment, endowment with profits, capital repayment, etc. The amount allowable for exempt and protected income is often dependent on the type of mortgage.
- incorrect manual calculation of mortgage amounts to be included as housing costs.
- use of out-of-date mortgage information.
- incorrect decision as to which housing costs are eligible for CSA purposes; eg unsecured home improvement loans, other loans and monies paid for board and lodgings may not be allowable.

### Other areas

- omission of disability premium from exempt income where the parent is so entitled.
- council tax incorrectly calculated or omitted from protected income.
- shared care not considered. Where the qualifying child stays with the absent parent for, on average, more than two nights a week the maintenance assessment should be reduced accordingly.

21. Of the cases examined in my sample, the following types involved straightforward calculations and have not resulted in many financial errors:

- interim maintenance assessments which are based solely on the assessed financial needs of the children without regard to the financial circumstances of the absent parent;
- nil value assessments which arise mainly where both parents are in receipt of income support, and where the absent parent has no earnings;
- minimum value assessments which arise when the absent parent's income is low.

When such cases (52 per cent of the sample) are excluded from my whole year sample, the results of my examination indicate that the incidence of error for the more complex assessments (48 per cent of the sample) was 53 per cent.

22. Within the regulations, there are a number of occasions on which the Agency are required to undertake a formal review of each assessment made. These are:

- a. at the request of either parent within 28 days of their receipt of the notice of assessment;
- b. at the request of either parent when a change in circumstances has been notified to the Agency;
- c. at the instigation of the Agency at regular intervals – yearly during 1994–95, but changing to once every two years from April 1995; and
- d. at the instigation of the Agency on becoming aware that a maintenance assessment was made wrongly because of ignorance of or mistake in a material fact or because of it being wrong in law.

23. Unless errors in assessing the value of maintenance due are detected and corrected by the Agency during one of these formal reviews, they will continue to affect the weekly amounts paid by absent parents or, if not paid, the amount of debt accruing. They will also impact on the accuracy of the amounts paid over to either persons with care of children or to the Secretary of State. These effects will occur irrespective of whether payments are made direct between absent parents and persons with care of children or whether the Agency's collection service is used.

#### **Other errors in recording maintenance due**

24. The Agency told me that not all their debtor accounts had been correctly set up; my audit confirmed this. For example, my staff identified several cases where the Agency were slow to open, or had failed to open, debtor accounts after completing maintenance assessments; or where individual debtor balances had been adjusted erroneously or without adequate supporting information.

#### **Delays in recovering maintenance due**

25. During 1994–95 some £76.4 million were collected from absent parents. Due in part to increased numbers of maintenance assessments completed in 1994–95, however, total debt due from them had increased from £94.9 million at 31 March 1994 to £525.2 million at 31 March 1995 (Figure 5 overleaf).
26. The Agency consider that the total debt outstanding at 31 March 1995 contains a significant, but unquantified core which is not likely to be collected. This core has arisen because of several factors, including:
- a. the inability of the Agency to enforce debts where effective dates have been erroneously calculated – this mainly relates to interim maintenance assessments which are made when absent parents fail or refuse to provide all the information necessary to make a full maintenance assessment;
  - b. some interim maintenance assessments exceed what might have been the absent parents' liability had they cooperated fully with the Agency. In the absence of such cooperation, the Agency were unable to assess the liability according to the absent parents' ability to pay – interim maintenance assessments are deliberately set at punitive levels to encourage cooperation and are legally enforceable as debts;
  - c. delays, whether caused by the Agency or absent parents, in making maintenance assessments or carrying out full reviews can result in large backlogs of debt occurring when assessments have been finalised, particularly when absent parents have been paying little or no maintenance in the meantime. Such backlogs, known as initial amounts, can be for several thousands of pounds and may exceed the ability of absent parents to pay, particularly if their financial circumstances have changed for the worse;
  - d. failings by the Agency to establish and operate rigorous debt collection procedures from the outset have led to debts of many absent parents, who do not readily comply, growing substantially, with the consequent risk that full recovery of these debts might not now be possible; and
  - e. accrued interest charges, which relate to overdue amounts, are also likely to prove difficult to collect.

Figure 5

## Maintenance collected and outstanding

	£m	£m
Maintenance outstanding at 31 March 1994		94.9
Maintenance scheduled as due in 1994-95		
Initial amounts (Note 1)	160.8	
Regular	379.6	
Interest	16.6	
	<u>557.0</u>	
Less Adjustments (Note 2)	<u>52.5</u>	
	504.5	
Less Received and allocated (Note 3)	<u>74.2</u>	
Net movement on maintenance outstanding (1994-95)		<u>430.3</u>
Total outstanding at 31 March 1995 (Note 4)		<u>525.2</u>

## Notes

1. The amount of maintenance which is the absent parent's charge for the Initial Pay Period. It includes all money due from the date the maintenance enquiry form is issued until the date that the full or interim maintenance assessment is issued.
2. Cases where the liability has been reduced (for example, where a direct payment has been set against the maintenance scheduled, or a change in circumstances).
3. During 1994-95, from the sums brought forward at 1 April 1994 and sums received and allocated, the Agency paid out £26.6 million to parents with care (1993-94: £2.9 million) and £47.9 million to the Secretary of State (1993-94: £5.8 million).
4. Some £439 million were due to the Secretary of State and some £86 million were due to parents with care.

Source: Child Support Agency

27. Operational changes announced by the Government in December 1994 and which came into effect on 16 February and 18 April 1995 have helped the Agency to give priority to clearing existing casework and to establishing regular payments of current maintenance; and have provided the opportunity to replace the interim maintenance assessments which were defective because of adjudication or procedural errors, and thereby to eliminate a substantial proportion of the uncollectable debt. Furthermore, from April 1995, only six months' worth of arrears will be enforced if they have arisen from delays by the Agency in clearing an assessment and the absent parent gives a commitment to meet the six months' arrears and his continuing liabilities. In these circumstances, the balance of the absent parent's outstanding debt will be deferred. After twelve months, this balance will be paid by the Agency out of voted money, to the person with care if she has suffered financial loss. But in all cases, if the absent parent later defaults without good reason, the Agency will seek repayment of the full amount of the arrears deferred.
28. The Department tell me that they and the Agency have no powers to write off maintenance debts reported in the Statement of Client Funds. As described above (paragraph 27) the Agency are now able, in specific circumstances, to replace existing assessments with new assessments that are more likely to be collected. The Agency have been unable to provide me with an estimate of the total value of debts which may not be collected, and in their view a provision in the accounts for this would not be appropriate.

29. In early 1995, the Agency began procuring a computerised debt management system to improve their performance on debt recovery. A draft operational requirement has been prepared which identifies the following objectives:
- to support the work to pursue debts through all relevant steps including, where necessary, litigation;
  - to create, prioritise and maintain individual records for each debt; and
  - to provide up to date access to information held on the Agency's core system, the Child Support Computer System.

## audit opinion

### Effect of the errors

30. Findings from my examination indicate that some 26 per cent of assessments, giving rise to transactions underlying the Statement of Client Funds were inaccurate, while a further 17 per cent of the assessments had been made in the absence of some of the required information. There was insufficient information available to me and the Agency to determine with reasonable certainty the probable extent of all these problems or to make a reasonable estimate of their financial impact on the debtor and creditor balances disclosed in the Statement of Client Funds. (Paragraphs 12 to 23 above refer.) The frequency of their occurrence and the values involved in the cases identified are, however, such that I have concluded that the lack of information prevents me from forming an opinion as to whether the Statement of Client Funds provides a true and fair view. I have, therefore, qualified my opinion in this regard.

### Collectability of debts

31. The debtor and corresponding creditor balances disclosed in the Statement of Client Funds include significant proportions which may not be collected and paid over. The Agency have been unable to estimate the value of those proportions and have made no provision against debtors for the amount which may not be collected. (Paragraphs 25 to 28 above refer.) In the absence of such a provision and a related reduction in creditors, I have concluded that the debtors and creditors are likely to be materially overstated. I have therefore qualified my opinion in this regard.

**John Bourn**

**Comptroller and Auditor General**

Date 12 July 1995

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