



Department
for Work &
Pensions

Client Funds Account 2017/18

1993 and 2003 Child Maintenance
Schemes

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

Ordered by the House of Commons to be printed 13 December 2018

HC 1807



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Foreword

The Department for Work and Pensions is responsible for the management of client funds for Child Maintenance in Great Britain operated by both the 1993 and 2003 statutory child maintenance schemes, delivered by the Child Support Agency, and the 2012 Scheme, delivered by the Child Maintenance Service. These schemes support children by collecting funds from non-resident parents and paying these funds to parents with care. In some 1993 and 2003 scheme cases, where parents with care have received benefits before 2008, the funds are retained by the Secretary of State in lieu of benefit paid.

The Department is required, by Her Majesty's Treasury, to publish a Client Funds Account which is separate from the accounts for the rest of its activities. This account reports on the 1993 and 2003 statutory schemes, with the 2012 statutory scheme being reported separately in its own account publication. This provides more clarity for the reader and allows the Comptroller and Auditor General to provide an independent opinion on each of the Accounts.

The opinions for this account are given by the Comptroller and Auditor General in the audit certificate, with rationale for these opinions explained in his report. The Comptroller and Auditor General has provided an unqualified opinion that receipts and payments are properly presented, but he has again qualified his opinions on other aspects from previous years, both of which relate to the historic issues with the 1993 and 2003 statutory schemes.

The first is a qualified opinion on the regularity of receipts and payments, because the assessment of some of the amounts due to be paid are incorrect. The second is an adverse opinion on arrears, because the accumulated arrears owed by some non-resident parents are misstated reflecting inaccurate assessments and incorrect processing since the inception of the statutory schemes.

Given the limited future life of the 1993 and 2003 systems, the use of public money to make a material difference to these issues could not be justified. While there will be a review of arrears balances during the Child Support Agency case closure process, the Department is not intending to carry out a wholesale review and re-calculation of these balances.

To strategically address these historic failings the 2012 scheme was introduced, underpinned by a completely new IT system. Since 25 November 2013, all new applications for child maintenance have been made to the 2012 Scheme. We continue the process of closing all existing cases held on the 1993 and 2003 systems, whilst encouraging parents to make their own family-based arrangements. Where this is not possible, they may make an application to the 2012 scheme via a conversation with Child Maintenance Options.

Arrears arising from cases on the 1993 and 2003 schemes, which have been transferred to the 2012 computer system, are still particular to the 1993 and 2003 schemes and are reported in this publication. The Department launched a consultation document in December 2017 looking at how to handle the historic arrears and our response was published on the 12 July 2018. This set out the approach for addressing these arrears going forward; that proportionate efforts will be made to collect arrears where the parent with care requests it, providing the values are above value for money thresholds. Regulations were signed on 29 November 2018 enabling debt to be written off once we have exhausted our enforcement options and have been unable to collect the debt, in which case we will notify both clients.

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The Receipts and Payments have both decreased from 2016/17 by 57% and continue to decrease moving into 2018/19, which is due to case closure.

Peter Schofield
Principal Accounting Officer

Date: 10 December 2018

Management commentary

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1.1 Major reforms

The Department continues to make progress in delivering the Government's major reforms to child maintenance. Through the provision of more support for separated families to work together and reach family-based arrangements, and an efficient statutory child maintenance service with effective enforcement for those that need it, the Department is determined to maximise the number of effective maintenance arrangements for children who live apart from one or both of their parents. An arrangement is regarded as effective where some of the agreed amount is regularly received either in cash or in kind and the receiving parent considers the arrangement is working.

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

The Child Maintenance Options service continues to help separated parents make informed choices about their child maintenance arrangements and supports parents to consider making family based arrangements.

Where parents are unable, or it is not appropriate, to come to their own family based arrangement, they can apply to the Child Maintenance Service 2012 scheme. Further details about the scheme can be found in the Client Funds Account for the 2012 scheme.

Another key element to the child maintenance reforms is the closure of existing Child Support Agency (CSA) 1993 and 2003 scheme cases, which affected 1.3m cases in total, around 800,000 of which had an on-going liability and around 500,000 cases had only arrears outstanding. All existing 1993 and 2003 clients have been given the opportunity to re-apply to the 2012 scheme or to make a family based arrangement. The Department is on track to end the liability of all CSA cases by December 2018. By March 2018, 746,500 cases have had their liability ended through the CSA Case Closure process. A total of 482,600 CSA cases have been fully closed as a result of the Case Closure process.

By being given the opportunity to look at their child maintenance arrangements again, many parents decided they do not need state intervention, leaving the 2012 scheme with a reduced

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

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

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caseload that can be run more effectively, ensuring more money for more children, while also reducing costs for the taxpayer.

With the work to end all existing CSA liabilities in its final stages, the Department had to decide how to handle the £3.5 billion of historic arrears currently held on our legacy computer systems; both to offer our clients certainty over the status of this debt and to allow us to decommission these systems. The Department's chosen approach is one that will allow Child Maintenance Service (CMS) to continue to support separated families, and tackle the historic CSA arrears, in a way that strikes the right balance between the needs of those families and the tax payer.

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

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

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

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

1.2 Performance during 2017/18

The live 1993 and 2003 scheme caseload, which is any case with a current liability and/or arrears, was at 819,400 by the end of March 2018 (965,200 at 31 March 2017). The number of 1993 and 2003 scheme cases with a current liability (i.e. excluding those cases with arrears only) reduced to 14,000 (138,500 at 31 March 2017), whilst the percentage of cases contributing to their current liability increased to 94.3% by the end of March 2018 (90.2% at 31 March 2017).

The number of children benefiting from maintenance through the 1993 and 2003 schemes in the quarter to 31 March 2018 was 17,900, a reduction of 149,300 since 31 March 2017, which is directly attributable to the continuation of the programme to close all cases on the 1993 and 2003 systems. The amount of maintenance collected or arranged over the year through the 1993 and 2003 schemes was £180.5 million, of which £46.0 million was arrears (down from £569.7 million collected and arranged, of which £81.9 million was arrears in the 12 months to 31 March 2017).

1.3 Receipts of Child Maintenance

During 2017/18, 1.0 million individual receipts were recorded, a 57% decrease in volume (2016/17: 2.3 million). Total monies received were 57% lower at £176 million (2016/17: £409 million). Of these, 96% of receipts by volume (2016/17: 96%) and 93% by value (2016/17: 95%) were received electronically, excluding receipts received in the 1993 and 2003 scheme bank for cases which have now transferred to CMS 2012.

By value, 66% of receipts from non-resident parents were paid using the following methods via the collection service: direct debit, deduction from earnings orders via employers and payment

by debit or credit card, which is a slight reduction from 2016/17. Within the collection service, direct debit and deduction from earnings orders result in the highest levels of compliance. Collection by debit or credit card is particularly effective for one-off payment of arrears.

A further 22% of receipts were executed under the Faster Payments system (2016/17: 20%), introduced by the major UK clearing banks. Faster Payments has significantly reduced the timescales for receipts from non-resident parents and has the additional benefit of ensuring cleared funds are received promptly. Receipt failure rates remain low overall, except for direct debits, where 9% of receipts failed (2016/17: 5%). More than 99% of these failures were initiated by non-resident parents, the most common reasons being the cancellation of a direct debit instruction or insufficient funds in the paying account.

1.4 Payments of Child Maintenance

During 2017/18 the number of individual payments to parents with care decreased by 63% to 1.4 million, representing a decrease in volume of 2.4 million transactions, whilst the total value of payments at £178 million reduced by 57%, consistent with overall receipts. 100% of payments to clients by value and volume were made by funds transferred electronically directly to clients' bank accounts.

Volumes of payments can vary considerably to receipts as one receipt from a non-resident parent can be allocated to multiple parents with care. Similarly, one receipt from an employer through a deduction of earnings order may relate to multiple non-resident parents, in which circumstances the single receipt will be allocated to a number of parents with care.

In 2017/18, more funds were paid out than were received due to prior year receipts paying out in this financial year. Total net payments to the Secretary of State fell by £2.8 million (25%) from £11.4 million to £8.6 million. Around £0.7 million per month relating to arrears continued to be paid to the Secretary of State. Only amounts relating to arrears are payable to the Secretary of State as the legislation linking maintenance to the benefit system was repealed in 2008. However, payments continued to be retained by the Secretary of State as and when funds are received relating to on benefit periods prior to the repeal.

Maintenance monies received are paid to parents with care as quickly as possible, and cash held at 31 March 2018 equated to around 6% (2016/17 3%) of the funds received during the year. The Department's systems and policies do not support the use of Faster Payments as an outgoing payment on an industrial scale.

There are a very small number of receipts which historically have been difficult to match to individual clients and cases, and consequently have not been paid to the relevant parent with care. Once all avenues to correctly assign a receipt to a non-resident parent have been exhausted, surpluses are transferred to HM Treasury. Despite the inherent challenge of translating 1.0 million receipts into 1.4 million payments – including many instances of subdividing or aggregating payments between or across multiple cases – the vast majority of payments were made accurately and in a timely manner, whether processed automatically or manually.

1.5 Outstanding arrears of child maintenance

In addition to reporting the receipts and payments of maintenance monies, the Department is required to report on the value of outstanding child maintenance arrears, covering the 1993 and 2003 schemes.

Outstanding child maintenance arrears totalled £3,506 million at 31 March 2018 (a decrease of £239 million on 1993 and 2003 scheme arrears at 31 March 2017 of £3,745 million), and were owed by non-resident parents to their respective parent with care and to the Secretary of State.

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The £3,506 million arrears owing have accumulated over the last 25 years. The new Compliance and Arrears strategy outlines how the Department will tackle the historic arrears.

1.6 Collectability

The Department considers the collectability to be a meaningful measure and will continue to publish an annual estimate in the Client Funds Account to establish the three categories of collectability. This is historical analysis which has been repeated this year, but due to the volumes of cases going through case closure the likelihood of collecting the arrears is likely to be lower than the analysis suggests. The new Compliance and Arrears strategy will ensure that proportionate efforts are undertaken when the client makes representation, and if not, the outstanding balances will be written off.

Likely to be collected Amounts outstanding, which meet certain criteria indicating that the Department had a good chance of collecting the outstanding arrears. The criteria are:

- Receipt of at least one payment against the outstanding arrears in the six-month period prior to the reporting date.
- Funds received in the Department's Client Funds bank account in excess of the on-going scheduled payments for cases with arrears which, due to system limitations, could not be allocated to a case, but indicate the non-resident parent's intent to clear arrears.

Potentially collectable Amounts outstanding for which the evidence base indicating that the arrears will be recovered is not as strong as for the 'likely to be collected' category, but which meet criteria suggesting that the Department has a reasonable chance of collecting the arrears. The criteria are:

- The existence of a maintenance arrears schedule at any point during the six months prior to the reporting date, even though no payments were received in the period. Arrears schedules are established following contact with the non-resident parent, who makes a commitment to clear the arrears over a specified period. Non-resident parents do not always adhere to the schedule, but the fact that contact had been made with the individual and a commitment had been made is considered to indicate that the arrears are potentially collectable.
- For recent arrears, i.e. aged three months or less, the receipt of at least one payment against those arrears after the reporting date. Recent arrears arise on new cases, where the set-up process can mean that no receipts can be accepted immediately, or on older cases where an existing maintenance arrangement has recently broken down. Schedules are seldom put in place until arrears have been accumulating for more than six months; enforcement resources are concentrated on re-establishing broken down arrangements quickly. Consequently, receipts after the balance sheet date for young arrears are considered to provide reasonable evidence that the arrears will be cleared.
- The anticipated impact of some of the enforcement powers on the arrears, were the powers to be used more widely. The two powers considered were the deduction order, which enables the Department to seize funds from non-resident parents' bank accounts, and the use of orders for sale of non-resident parents' property.

Uncollectable These balances represent amounts outstanding which do not meet any of the criteria outlined above for the 'likely to be collected' or 'potentially collectable' categories.

Analysis of Collectability 2017/18

£'000	2003 System	1993 System	Child Maintenance Service 2012 (previously on Clerical Case Database)	Total	Percentage of total debt
Likely to be collected	114,037	45,099	19,766	178,902	5.1%
Potentially Collectable	332,412	92,050	0.00	424,462	12.1%
Uncollectable	1,668,902	1,014,038	219,434	2,902,374	82.8%
Total	2,115,351	1,151,187	239,200	3,505,738	100%

Analysis of Collectability 2016/17

£'000	2003 System	1993 System	Clerical Case Database	Total	Percentage of total debt
Likely to be collected	168,143	77,303	15,545	260,991	7.0%
Potentially Collectable	339,430	92,159	26,938	458,527	12.2%
Uncollectable	1,686,347	1,065,601	273,278	3,025,226	80.8%
Total	2,193,920	1,235,063	315,761	3,744,744	100%

Arrears decreased by £239 million which represented a 6% overall decrease. This was mainly driven by adjustments to the value of arrears in cases reviewed during the case closure process. Some of the adjustments linked to cases assessed in the early years where punitive assessment rates were used to encourage compliance.

In line with the Public Consultation document the Department will approach Parents with Care regarding arrears stretching back to 1993. The Department will do this by giving parents an opportunity to say if they want the Department to try to collect their debt one last time where it is cost effective to do so.

Peter Schofield
Principal Accounting Officer

Date: 10 December 2018

Statement of Accounting Officer's responsibilities

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As Principal Accounting Officer of the Department, I have responsibility for the 1993 and 2003 scheme Client Funds Account.

Under Section 7(1) and (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Work and Pensions to prepare, for each financial year, a Client Funds Account for the current 1993 and 2003 statutory schemes in the form and on the basis set out in the Client Funds Account Direction.

In preparing the account, the Accounting Officer is required to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis; and,
- make judgements and estimates on a reasonable basis.

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

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

Peter Schofield
Principal Accounting Officer

Date: 10 December 2018

Governance Statement

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1 Introduction

- 1.1 The Department for Work and Pensions has responsibility for the management of client funds relating to the 1993 and 2003 statutory child maintenance schemes, which include the flow of receipts from non-resident parents, payments to parents with care, the Secretary of State, and accumulated maintenance arrears. The Department operates through the Child Support Agency for the 1993 and 2003 schemes, part of the Child Maintenance Group.
- 1.2 In accordance with an HM Treasury Direction under Section 7 of the Government Resources and Accounts Act 2000, dated 6 May 2015, the Department is required to publish a Client Funds Account for cases assessed under 1993 and 2003 scheme rules and a separate account for the 2012 scheme.
- 1.3 The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2018 relate to the Child Maintenance Group as part of the Department.
- 1.4 This statement covers topics which are specific to the Child Maintenance Group operating within the Department with particular emphasis on the significant control challenges identified in relation to child maintenance.
- 1.5 The control weaknesses of the systems underpinning the 1993 and 2003 statutory schemes are a result of the limitations of the systems, which have led to successive qualifications by the Comptroller and Auditor General. This statement records the action which the Department has taken to manage these control weaknesses.

2 Significant Control Challenges

2.1 Cases managed off the 1993 and 2003 systems

- 2.1.1 The Department operated two main child maintenance computer systems under the Child Support Agency umbrella during 2017/18, the 1993 system and the 2003 system. Data issues, software defects or both mean that some cases either cannot be managed at all on the 2003 system, or can only partially be managed on that system.
- 2.1.2 As at 31 March 2018, there were no cases managed wholly off the 1993 and 2003 systems, a decrease of 27,700 from 31 March 2017.

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- 2.1.3** The cases previously managed on a number of small IT systems, have now either been closed as part of the case closure process or have transitioned to CMS, and as there are no cases remaining on the small IT systems, these issues no longer exist.
- 2.1.4** As with the main 1993 and 2003 computer systems, limitations within the small IT systems have, in some instances, contributed to further inaccuracies in arrears balances recorded on those systems.

2.2 Incorrect maintenance assessments

- 2.2.1** Assessment accuracy remains an issue for the 1993 and 2003 schemes. It is central to the modified audit opinions on the Client Funds Account from the inaccuracy due to maintenance assessment and consequent uncertainty around the reported arrears (including the estimate for non-collectability of arrears). The accumulated inaccuracies arising mainly from earlier years continue to affect arrears balances and also contribute to the qualified regularity opinion on receipts and payments.
- 2.2.2** Cash Value Accuracy in 2017/18 is 87% well below the 94% in 2016/17. The measure is distorted by case closure activity, where correct closure is assigned a nil value. This means, a correct closure has no sample value and is ignored by the measure. The value of any identified error on case closure is reassessed against other checks distorting the measure. Cash Value Accuracy remains an area of focus particularly during the challenging conditions brought about by the movement of work relating to the closure of cases on the 1993 and 2003 schemes, while maintaining the growing 2012 Scheme caseload
- 2.2.3** The accuracy of adjustments made to arrears has been a weakness for many years. The accumulated arrears owed by some non-resident parents have been misstated, reflecting inaccurate assessments and incorrect processing since the inception of the statutory schemes. However, as a result of continuing management focus and caseworker education programmes, there has been a stepped increase in adjustment accuracy in recent years. Accuracy increased slightly to 97.0% in 2017/18 (2016/17 96.9%). The use of public money to correct the historic inaccuracies could not be justified given the limited life of these systems.

2.3 System and transaction controls

- 2.3.1** During 2017/18, the Department continued to utilise the 1993 and 2003 child maintenance systems to ensure efficient processing of receipts and payments.
- 2.3.2** The small systems introduced in 2010/11 have continued to deliver robust and automated solutions, providing streamlined receipt and payment processing, accuracy and efficiency. The small systems have continued to evolve as the Case Closure Programme volumes have increased and receipts paid into 1993 and 2003 systems need to be transferred to 2012 system. Amendments to the systems have led to limited manual intervention to this process.
- 2.3.3** As in prior years, Note 5 has been prepared using a suite of reports developed as a result of weaknesses in the information on outstanding levels of maintenance arrears (Client Funds Account 2008/09 covers this in detail). Moving cases to the 2012 IT system is the main way in which CMG addressed this challenge to provide case based accounts automatically through the system.

2.4 Reimbursements to clients

2.4.1 Monies are also received from the Secretary of State to refund non-resident parents in cases where an overpayment has been made and the amount is irrecoverable. These reimbursements are treated as a loss and recorded as such in the Department's Resource Annual Report and Accounts.

2.4.2 The value of these payments reduced by 57% from £6m to £2.6 million in 2017/18.

2.5 Information Security

2.5.1 The control challenge remains to protect the vast amount of sensitive personal data necessary to assess and pay child maintenance while at the same time making efficient use of that data. The Department's information security risk appetite remains low. However, the system introduced to manage the 1993 scheme, is not security accredited and given its expected limited life there are no plans to pursue accreditation.

2.5.2 In relation to personal data breaches, the Department follows the guidelines from the Information Commissioner which can be found at: <https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/personal-data-breaches/>. Since the General Data Protection Regulations (GDPR more detail for which can be seen in paragraph 2.7), and the 2018 Data Protection Act came into force, the Department has adopted the GDPR Article 29 Working Party guidelines on Personal Data Breach Notification which may be accessed at: http://ec.europa.eu/newsroom/article29/item-detail.cfm?item_id=612052.

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

2.6 Case Closure Programme

2.6.1 The Case Closure Programme began in 2014 including processes to contact all 1993 and 2003 system clients to consider if they would like their arrears managed on the 2012 system. The current plan is for all live cases with on-going maintenance arrangements to be closed within the legislative timelines.

2.6.2 For clients who decide to have their arrears managed on the 2012 system, the current process is to transfer arrears from the 1993 and 2003 systems to the 2012 system via an automated process. Financial control is maintained via a daily reconciliation to ensure arrears are accurately received and attributed to the correct payee, either parent with care or the Secretary of State.

2.6.3 During the reporting year to 31 March 2018 £194.3 million had transferred to the 2012 system (2016/17: £345.7 million) with only £1.26 million relating to 336 cases (2016/17: £0.08 million relating to 157 cases) not held on a system at year end due to timing delays in building the cases on the 2012 system. Improvements have been made to this process; for example an end to end small system was implemented during the year to support reconciliation of the increased volumes of cases closing.

2.6.4 On 14 December 2017 the Government published 'Child Maintenance: A New Compliance and Arrears Strategy'. This public consultation put forward a range of proposals intended to further improve compliance in the CMS, as well as tackling historic arrears built up under the CSA – (see paragraph 1.1).

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2.7 General Data Protection Regulation (GDPR) GDPR

- 2.7.1** The General Data Protection Regulation (GDPR) came into effect on 25 May 2018. A new Data Protection Act 2018 also came into force on that date to supplement GDPR in the UK. These changes represent the biggest reform in data protection and privacy legislation in the EU for three decades. GDPR strengthens existing data protection law and updates it to take into account changes in technology and attitudes to privacy in the digital age.
- 2.7.2** GDPR demands more of organisations in terms of accountability for their use of personal data and enhances the existing rights of individuals. It applies to all personal data - staff data, employer data and client data.
- 2.7.3** The Department revised its Personal Information Charter for the advent of GDPR. (The Charter is available on www.gov.uk.) The Department is currently working through a programme of assurance activity, to confirm full GDPR compliance.

2.8 Client Fund Bank Account

- 2.8.1** During this financial year the transition from the Department's sponsoring bank to its new supplier has now been successfully completed and the old bank accounts were decommissioned within this reporting year.

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

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Opinion on financial statements

I certify that I have audited the Client Funds 1993 and 2003 schemes Account for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Receipts and Payments Statement, the Statement of Balances and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Opinions

Note 5: 'Outstanding Maintenance Arrears'

Adverse opinion on Note 5 'Outstanding Maintenance Arrears'

In my opinion, Note 5 to the account does not give a true and fair view of the outstanding maintenance arrears as at 31 March 2018.

Basis for adverse opinion on Note 5 'Outstanding Maintenance Arrears' as a result of errors in underlying data

The individual arrears balances supporting the reported outstanding arrears balance are misstated as a result of:

- inaccurate maintenance assessments by caseworkers since the inception of the statutory schemes; and
- incorrect processing of cases with arrears since the inception of the statutory schemes.

The Department is unable to estimate the value of the misstatements as a result of inaccurate maintenance assessments, but our audit work indicates that the cumulative impact on the value of arrears as at 31 March 2018 is significant.

The best estimates available to me of the impact of incorrect processing of cases with arrears indicate that they have led to overstatements of at least £16.2 million and understatements of £116.6 million within the reported balance of £3.5 billion in Note 5 to the account.

All sections other than note 5, 'Outstanding Maintenance Arrears'

Unqualified opinion on the Receipts and Payments Statement

In my opinion:

The account properly presents the receipts and payments of the Client Funds 1993 and 2003 schemes Account for the year ended 31 March 2018 and the cash balances held as at 31 March 2018; and

The account has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions thereunder.

Opinion on regularity for the Client Funds 1993 and 2003 schemes Account

Qualified opinion on regularity

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

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

Certain receipts from non-resident parents (and the subsequent payments to the parent with care or Secretary of State) were for incorrect amounts because of errors in the underlying maintenance assessments. Receipts from non-resident parents of £175 million are shown in the Client Funds 1993 and 2003 schemes Account. I estimate that errors in underlying maintenance assessments resulted in overpayments of around £1.8 million and underpayments of around £1.9 million which are not in accordance with the relevant legislation.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Department for Work and Pensions (DWP) in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

- On note 5, 'Outstanding Maintenance Arrears', I provide an opinion as to whether the note gives a true and fair view of the outstanding maintenance balances;
- On all sections other than note 5 'Outstanding Maintenance Arrears', I provide an opinion as to whether the account properly presents the receipts and payments of the Client Funds 1993 and 2003 schemes Account and the cash balances held and that the account has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions thereunder; and

- For all sections of the financial statements, I provide an opinion as to whether in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Further details of my modified opinions are provided in my report on pages 19 to 23.

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

Date: 11 December 2018

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

5

Introduction

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

2 This report relates specifically to the Client Funds 1993 and 2003 Schemes Account (the Account) and considers the Department's progress in its management and closure of cases on these schemes. I have produced a separate report on the Client Funds 2012 Scheme Account (HC1806).

Key findings

3 The Department for Work and Pensions (the Department) has not managed 1993 and 2003 child maintenance scheme cases with sufficient accuracy. This has led to material levels of inaccurate receipts and payments in the 2017-18 Account. Where assessment calculations are inaccurate, the associated receipts and payments do not conform to scheme rules and are irregular. I have therefore qualified my regularity audit opinion in respect of these inaccurate receipts and payments, which I estimate to be £3.7 million, 2.11% of the total value of receipts made during the year. The modifications to my regularity audit opinion on the Account are longstanding, since 1993-94 and reflect significant and ongoing problems in the accurate calculation of maintenance and with the underlying IT systems.

4 The £3.5 billion arrears balance reported does not provide a true and fair view of unpaid maintenance. I estimate that the arrears balance is understated by at least £100.4 million, 2.86% of the total arrears balance. Individual arrears on cases are misstated due to errors in the underlying assessment calculations and due to errors in adjustments to the balances, compounded where cases are managed outside of the IT systems.

5 The Department will close all cases on the 1993 and 2003 schemes by the end of December 2018. Parents are now only able to apply to the 2012 child maintenance scheme for support with their child maintenance arrangements. The Department has been operating the 1993 and 2003 schemes concurrently with the 2012 scheme while it closes 1993 and 2003 cases.

6 Case closure will not address all issues relating to the 1993 and 2003 child maintenance schemes. The Department continues to seek recovery of arrears accumulated under the older schemes but is not carrying out retrospective correction of arrears to ensure the accuracy of the £3.5 billion that is owed.

7 To tackle the large arrears balance, the Department intends to write off a number of arrears. A change in secondary legislation will provide greater powers to pursue collection of arrears and allow for write-off in more cases than the current legislation. This includes write-off of low value arrears, which are less than £500 and, for arrears over 10 years old, under £1,000, on the basis that it is not cost effective to pursue such debts and write-off of higher value arrears, following written notification of parents with care.

Recommendations

8 The issues that lead me to qualify the Account are not expected to be sufficiently addressed in the course of case closure as currently planned. It is my view that the inaccuracies, both historic and current, in the arrears balance should be addressed by the Department both for the benefit of the families who have used this service, and to be able to draw the 1993 and 2003 Schemes to a full close. I recommend that the Department monitors the outcomes of the planned procedures to contact parents and then recover or write-off arrears, to understand and minimise any impact on those involved.

Qualified opinion due to irregular receipts and payments

1.1 As the independent external auditor, I am required to give an opinion on whether, in all material respects, the Account properly presents the receipts and payments for the year ended 31 March 2018 and whether these transactions have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the 'regularity' opinion).

1.2 While the Account properly presents the amounts of child maintenance received and paid in year, I have again qualified my regularity opinion on the grounds of material errors in the calculations of maintenance assessments underpinning receipts and payments. These assessments are not in accordance with specific legislative requirements and therefore associated receipts and payments are irregular.

1.3 The original 1993 legislation required up to 148 different pieces of information to calculate a maintenance assessment. An error in any element of the assessment will impact the accuracy and so regularity of the child maintenance received from the non-resident parent. Ordinarily there are multiple assessments throughout the lifetime of a case to reflect changes in circumstance. Where such reassessments occur, the likelihood of error increases as the level of manual case worker intervention increases. It is this level of complexity, together with inadequate computer systems, that has led to the significant levels of error in child maintenance assessment calculations historically.

1.4 I have based my estimate of inaccuracy in maintenance assessments on the work of the Department's Quality Assurance Team (QAT) that carries out testing of child maintenance assessments. I have estimated that errors in assessments result in overpayments of child maintenance amounting to £1.8m, representing 1.03% (£5.6m, representing 1.36% in 2016-17) and underpayments totalling £1.9m, representing 1.08% (£5.7m, representing 1.39% in 2016-17). The cases affected by overpayments are unconnected to the cases affected by underpayments, and consequently I have considered the gross error figures in forming my opinion. I have qualified my regularity audit opinion based on a gross value of irregular receipts and payments of £3.7m for 2017-18, representing 2.11% of total receipts (£11.3m in 2016-17, representing 2.75% of total receipts).

1.5 Unlike the 2012 Child Maintenance Scheme cases, the 1993 and 2003 Child Maintenance Scheme cases are not subject to an annual review. As a result, there are receipts and payments in the 2017-18 account that are based upon maintenance assessments that were calculated in previous years. To take account of this fact, I do not consider the accuracy of calculations processed in 2017-18 in isolation, but also take account of historic rates of error when forming my estimate of accuracy in receipts and payments. Therefore, the error rate I have estimated will differ from the in-year error rate calculated by the Department.

Adverse opinion on Note 5 'Outstanding Maintenance Arrears'

1.6 Where a non-resident parent does not make payments in accordance with their child maintenance assessment, the Department records any shortfall in the 'outstanding maintenance arrears' balance and reports it in Note 5 of the Account. The balance of £3.5 billion as at 31 March 2018 is the cumulative total of outstanding arrears on 1993 and 2003 scheme cases since the Child Support Agency was established in 1993. This balance represents the total amount owed by non-resident parents to either the parent with care or, in some instances, the Secretary of State. Current legislation allows the Department to write off arrears only in limited circumstances.

1.7 I am required to give an opinion on whether the outstanding maintenance arrears balance as at 31 March 2018 is true and fair. In my opinion there is material error in the value of arrears recorded in Note 5 to the Account and as a result I have concluded that Note 5 does not give a true and fair view of the maintenance arrears outstanding at 31 March 2018. My view is primarily a result of the impact on the arrears balance of incorrect maintenance assessments, incorrect adjustments of arrears, and management of records outside of the 1993 and 2003 IT systems that results in further errors.

1.8 Of these three factors, I am only able to quantify reliably the impact of incorrect adjustments to arrears balances. Errors can also arise where caseworkers administering child maintenance cases adjust the value of arrears on individual cases. This is to allow the Department to take retrospective action when circumstances change that alter the value of maintenance due.

1.9 Note 5 to the Account reports the arrears balance net of any caseworkers' adjustments, which means that any errors made in the calculation of these adjustments affect the arrears balance reported. I estimate that arrears are understated by around £100.4 million, representing 2.86% of the total arrears balance (2016-17 £99.8m, representing 2.7%). This is made up of an estimated overstatement of £16.2 million or 0.46% (2016-17, £15.9m, representing 0.4%) of the total arrears balance and understatement of £116.6 million or 3.3% (2016-17 115.8, representing 3.1%) of the total arrears balance as a result of such errors. The Department is unable to adjust the arrears note to correct these errors as this is an estimate of misstatement rather than individual errors on individual arrears balances.

1.10 The Department is no longer able to provide sufficient data to quantify the impact of incorrect maintenance assessments on arrears. Where the Department has made incorrect maintenance assessments, any arrears accruing will also be at an incorrect rate. Historic estimates of the impact of incorrect assessment on arrears were material; as no action has been taken to correct these assessments I consider there remains a material level of error in arrears balances as a result of incorrect maintenance assessments.

1.11 The Department is also unable to quantify the level of errors introduced in administering cases outside of the IT systems, and the impact of these on the arrears balance. In previous years I have identified error in these cases that the Department has not taken action to correct.

1.12 As the impact of incorrect adjustments to arrears is, alone, material to the value of the arrears balance, I have not sought to quantify the impact of incorrect maintenance assessment or errors in the administration of records outside of the IT systems in forming my opinion on the arrears balance.

Closure of the 1993 and 2003 child maintenance scheme cases

1.13 The Department's focus over the past year has remained on the closing of cases on the 1993 and 2003 Schemes, a process that is now nearing completion with 660 cases remaining to be closed as of October 2018.

Impact of case closure on the regularity of receipts and payments

1.14 Cases assessed under the 2012 Child Maintenance Scheme are increasingly automated and the Department has reported significantly improved accuracy as a result. Any parents opting to apply for a case under the new scheme after the closure of their 1993 or 2003 Schemes case will have their case assessed in accordance with much simpler 2012 Child Maintenance Scheme rules. Further detail on the 2012 Child Maintenance Scheme can be found in the Client Funds 2012 Scheme Account (HC1806).

1.15 As cases have closed under the 1993 and 2003 Schemes, the value of receipts and payments made in the Account has fallen, from £409.3m in 2016-17 to £175.6m 2017-18. Once all cases are closed, receipts and payments will solely relate to historic arrears, which relate to insufficiently inaccurate assessments and so will continue not to be in accordance with the scheme rules. I therefore anticipate I will continue to qualify my regularity opinion on the remaining receipts and payments.

Addressing the outstanding arrears balance

1.16 On 14 December 2017 the Department published a consultation which put forward a range of proposals intended to further improve compliance in the Child Maintenance Service (CMS) for the 2012 Scheme, as well as tackling historic arrears built up under the Child Support Agency (CSA) for the 1993 and 2003 Schemes and CMS for the 2012 Scheme. The consultation closed on 8 February 2018, and the Department published the response to the consultation on 12 July 2018.

1.17 Following the consultation, for 1993 and 2003 arrears, in addition to powers that have always existed that enable the Department to write-off arrears that are below £65 or write-off debts owed to the Secretary of State, legislation has now passed that will allow the Department to write-off arrears where:

- the value is less than £500 and the arrears are less than 10 years old, on the basis it is not cost effective to pursue such debts;
- the value is less than £1,000 and the arrears are more than 10 years old, on the basis that it is not cost effective to pursue such debts;
- the value is more than £1000 if the parent with care does not confirm that they want the arrears pursued within a specified time-frame following written communication from the Department; and,
- the parent with care requests that the arrears are pursued but the Department is unable to make contact with the non-resident parent to collect the arrears.

1.18 The Department anticipates that it will write-off approximately 200,000 cases where the value of arrears is less than £500 and less than 10 years old or under £1,000 and more than 10 years old. The Department currently estimates that it will contact a further 218,000 parents with care to ask whether arrears should still be pursued or can be written off.

1.19 The Department notes in its annual report that £2.9 billion of the £3.5 billion arrears balance at 31 March 2018 is considered uncollectable. Since 1 April 2018, the Department has written off all debts owed to Government, as a change to legislation was not required. This has resulted in a reduction of the arrears balance by £154m. The secondary legislation will go some way to reduce the remaining arrears balance, however, it is currently unclear by how much. The

Department will need to revisit its assumptions around collectability to reflect its experience of the new write off powers.

1.20 As arrears balances will not be recalculated as part of case closure and write off procedures, I anticipate that I will continue to consider that the balance reported does not give a true and fair view of arrears, due to historic errors.

Sir Amyas C E Morse

Date: 11 December 2018

Comptroller and Auditor General

National Audit Office

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Receipts and Payments Statement for the year ended 31 March 2018

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	Notes	2017/18 £000's	2016/17 £000's
Receipts	2	175,625	409,344
Bank Interest		-	-
Total Receipts		175,625	409,344
Less payments to:			
Persons with Care	2	167,659	396,900
Secretary of State	2	8,614	11,448
Non-resident Parents/employers	2	1,837	8,050
Department in respect of fees	2	37	115
Total Payments		178,147	416,513
Net receipts/(payments)		(2,522)	(7,169)
Balance as at 1 April		13,256	20,425
Balance as at 31 March		10,734	13,256

Statement of Balances as at 31 March 2018

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	Notes	31 March 2018 £000s	31 March 2017 £000s
Opening balance		13,256	20,425
Movement		(2,522)	(7,169)
Closing cash balance	3	10,734	13,256

Notes to the account for the year ended 31 March 2018

8

1 Statement of accounting policies

The account has been prepared on a cash basis and in the form directed by Her Majesty's Treasury (HM Treasury). The outstanding maintenance arrears note, which is prepared on an accruals basis, records amounts owed by non-resident parents as at 31 March 2018, along with movements in these arrears balances during the financial year.

A new Account Direction, dated 6 May 2015, confirmed all transactions relating to cases assessed under the 1993 or 2003 schemes will be reported in a separate Client Funds Account to the 2012 Scheme assessed cases. There is a separate Account Direction and Client Funds Account publication for 2012 Scheme cases.

The account has been prepared under the historical cost convention.

2 Receipts and payments

Receipts from clients relate to child maintenance and fees collected from non-resident parents by the Department for payment to parents with care (maintenance) or to the Secretary of State (where pre-2008 maintenance offsets benefits paid to the parent with care) and monies due to the Department (fees for DNA and court costs).

The receipts quoted in the Receipts and Payments Statement differ from the receipts total shown in movements on outstanding maintenance arrears (see Note 5.0). This is due principally to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Statement.

Monies are also received from the Secretary of State to refund non-resident parents in cases where an overpayment has been made and the amount is irrecoverable. This totalled £2.6 million (2016/17, £2.4 million) and is disclosed as a loss in the Department's Annual Report and Accounts 2017/18.

Included in the £167.7million (2016/17, £396.9 million) paid to the parent with care is £0.3 million (2016/17, £1.5 million) paid to the Northern Ireland Child Maintenance and Enforcement Division to fund payments made on the Department's behalf.

The payments to the Secretary of State of £8.6 million have been made in respect of funds received on cases where clients were in receipt of benefit at the time of the assessment, pre-October 2008. The repeal of Section 6 of the Child Support Act 1991 in October 2008 resulted in all cases being re-classified as private cases with no involvement with the benefit system. However, when funds are received which relate to periods when clients were in receipt of benefits these payments continue to be retained by the Secretary of State.

Other payment categories relate to refunds/reimbursements to non-resident parents and employers for overpayments of maintenance, totalling £1.8 million in 2017/18 (2016/17, £8.0 million). Also, payments were made to the Department in respect of fees for DNA tests and court costs, £0.04 million in 2017/18 (2016/17, £0.12 million).

3 Statement of balances

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

4 Outstanding Maintenance Arrears

Under the Accounts Direction dated 6 May 2015 issued by HM Treasury, the Department is required to disclose the balances outstanding from non-resident parents at the year end, the movements in the balances outstanding between the beginning and end of the year.

On 31 January 2013, the Government published “Preparing for the future, tackling the past: Child Maintenance – Arrears and Compliance Strategy 2012–2017”. This explained that in reforming the statutory Child Maintenance Service, the Government’s chief priority is to ensure more parents pay the child maintenance they owe not only in full, but also on time. Only by the effective prevention and management of arrears can we get more money flowing to children and avoid increasing debts owed by parents for their children.

This will be shortly replaced by A New Compliance and Arrears Strategy, which the Government published on 14 December 2017. This public consultation put forward a range of proposals intended to further improve compliance in the CMS, as well as tackling historic arrears built up under the CSA – (see paragraph 1.1). Regulations that support the new strategy were signed on 29 November 2018 enabling debt to be written off once we have exhausted our enforcement options and have been unable to collect the debt, in which case we will notify both clients.

The operational priority of the statutory service is to collect money for children who will benefit from regular on-going maintenance payments today, rather than prioritising the pursuit of historic arrears in cases where the children have now grown up.

5.0 Outstanding maintenance arrears at 31 March 2018

	£'000	CS2	CSCS	Clerical Case Database	CMS	Total
Outstanding Maintenance Arrears as at March 2017 (Note a)						
	1,922,428	1,191,044	152,568	478,704	3,744,744	
Write Off (Note 5.1ii)	(47,140)	(62,001)	(240)	(10,823)	(120,204)	
Maintenance Charged in Year (Note 5.1i)	19,453	(18,920)	(147,594)	178,272	31,211	
Maintenance Received in the year (Note 5.1iii)	(119,606)	(12,892)	(4,734)	(12,781)	(150,013)	
Outstanding Maintenance Arrears at 31 March 2018)	1,775,135	1,097,231	(0)	633,372	3,505,738	

Note a)

The format of this note reports by system rather than scheme basis. 1993 and 2003 scheme arrears of £633.4 million at 31 March 2018 (£478.7 million, 31 March 2017) are hosted on the 2012 system and are reported in the table above.

5.1 Movements in outstanding maintenance arrears

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

- i) Maintenance charged during the year and other adjustments. This comprises: assessments made on non-resident parents during the year; outstanding maintenance arrears transferred to and from the Northern Ireland Child Maintenance and Enforcement Division, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due. The amount charged in 2017/18 was £31 million (2016/17, £240 million); the decrease is in line with the Case Closure Programme, to close cases on the 1993 and 2003 systems. For the 1993 scheme, (CSCS and CCD) adjustments to reduce arrears balances, specifically on cases where an Interim Maintenance Assessment was in place, have exceeded in value the amount of maintenance charged during the year, leading to a negative balance of maintenance charged.
- ii) Child Maintenance Group has continued to make use of powers introduced as part of the Write Off and Part Payment legislation introduced in 2010 by making adjustments to the value of arrears, with £120 million being restated on 1993 and 2003 scheme cases (2016/17, £84 million), the increase from last year is a direct result of the case closure process.
- iii) Maintenance received during the year. This comprises amounts received from non-resident parents and the Northern Ireland Child Maintenance and Enforcement Division during the year. When a receipt is subsequently assigned to a case by the child support computer systems, the receipt is allocated to that case. The timing difference between receipt, assignment and allocation contributes to the difference between the value of the receipts in the Receipts and Payments Statement and the receipts in Note 5. The total value of receipts allocated to cases in 2017/18 was £150 million (2016/17, £387 million).

- iv) Outstanding maintenance arrears as at 31 March 2018. This is the balance of outstanding maintenance arrears recognised by the Department, after allowing for maintenance assessments in the year and after receipts of maintenance have been deducted.

6 Events after the reporting date

On 29 November regulations were signed that provides the Department with additional powers of recovery and powers to write-off arrears where these are considered to be uncollectable or it is not value for money to pursue. More detail on the implications of the changes are detailed on page 5 of this annual report and account.

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