



Department
for Work &
Pensions

Client Funds Account 2020/21

1993 and 2003 Child Maintenance Schemes

HC 923



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for Work &
Pensions

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1993 and 2003 Child Maintenance Schemes

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Foreword

The Department for Work and Pensions (the Department, DWP) is responsible for the management of client funds relating to both the 2012 statutory child maintenance scheme operated by the Child Maintenance Service (CMS) and 1993 and 2003 schemes which were originally delivered by the Child Support Agency (CSA), collectively known as the Child Maintenance Group (CMG).

The Department provides a Child Maintenance system that supports separated parents to work together to set up family-based child maintenance arrangements. Where this is not possible, it provides access to an effective and efficient service to ensure separated parents contribute towards the upkeep of their children.

CMG has responsibility for the management of client funds collected through the statutory service. Child Maintenance assessed under the CMS 2012 scheme and CSA arrears only cases are managed on the CMS computer system (CMS system) launched in 2012. Although the CSA is now closed and its systems decommissioned, cases are administered according to the scheme rules under which the case was originally assessed.

The 1993 and 2003 statutory schemes support children by collecting maintenance and paying funds obtained

from the absent parent to the person with care of the child.

The running costs of CMG are charged to the Department and reported in the DWP Annual Report and Accounts¹. However, for Client Funds, CMG acts purely as custodian and the Department is required, by HM Treasury under section 7(1) and (2) of the Government Resources and Accounts Act 2000, to publish a Client Funds Account, which is separate from the accounts for the rest of the Department's activities.

This account reports on the 1993 and 2003 statutory schemes, with the 2012 scheme being reported in a separate 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 first is an adverse 'properly presents' opinion because the accumulated arrears owed by some non-resident parents (NRP's) 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

1 <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2020-to-2021>

difference to these issues could not be justified on value for money grounds. During the closure of the 1993 and 2003 schemes, the Department undertook a review of arrears balances for CSA cases, however, the Department has not carried out a wholesale review and re-calculation of individual case balances.

The second is a qualified regularity opinion – firstly on the regularity of receipts and payments, because the assessment of some of the amounts due to be paid are incorrect. As described above, the Department has assessed that it is not value for money to review and correct previously materially incorrect assessments on individual cases.

For 2020-21, the regularity opinion is also qualified due to a limitation of scope on the audit of arrears write-offs, as some accounting records have been deleted in line with DWP's information management & GDPR policy, meaning they were not available for audit. This policy has now been amended to ensure we retain adequate accounting records in the future, whilst remaining compliant with GDPR. The necessary system changes to apply this policy are planned to be implemented by Spring 2022.

1 Background

1.1 Closure of the CSA

Child Maintenance Schemes are referred to by the year in which they were launched. The CSA launched the first scheme in 1993; complexities in the calculation methodology led to reforms and a new scheme being introduced in 2003. Despite addressing some of the issues, a review of child maintenance policy led to the creation of the CMS which opened for new applications in 2012 and since November 2013, all new applications for child maintenance have been made to this scheme.

In June 2014, DWP began to close the cases managed by the CSA on the 1993 and 2003 Schemes and, where appropriate, outstanding Secretary of State (SoS) and/or Parent with Care (PWC)² arrears were transitioned to the CMS system. As part of this closure process, parents were advised to contact Child Maintenance Options and offered support in making a family-based arrangement or, if appropriate, to make an application to the CMS. Guidance explaining how liabilities were ended under the CSA schemes can be found in the Child maintenance: ending liability scheme publication³. The on-going liability (requirement to pay child maintenance) was ended on all CSA cases by December 2018.

2 Note the Parent with Care is sometimes referred to as the person with care

3 <https://www.gov.uk/government/publications/child-maintenance-ending-liability-scheme>

In July 2018, the Department set out the approach for addressing non-paying historic arrears built up on CSA schemes in the Compliance and Arrears Strategy.⁴ The CSA wrote to the PWC to ask if they want a last attempt to be made to try to collect their debt in cases where:

- it has built up on CSA systems and there has been no recent payment made
- the case started before 1st November 2008 and the debt is over £1,000 or
- the case started on or after 1st November 2008 and the debt is over £500

This process is called 'representation'. If the PWC responds stating that they still want their debt, CMG will determine whether there is a reasonable chance of collection and proceed appropriately, in most cases by writing to the NRP.

Debt less than £500 (or debt less than £1,000 for older cases) is being written off. These parents were not asked if they want their debt collected, as collection activity would cost more than the debt is worth, but a notification letter is issued to both parents explaining what has happened with their case. For cases with debt below £65, no letters are issued.

All debt owed to government accrued in the CSA will be written off as collecting this debt will not benefit families

⁴ <https://www.gov.uk/government/publications/child-maintenance-compliance-and-arrears-strategy-2018>

and it would cost more to collect than the debt is worth. Debt owed to government built up under a CSA policy that has now ended. This policy required the NRP to repay the government for some of the benefits paid to support their children.

The majority of cases completed representation on CSA systems, but some cases were transitioned to the CMS system to conclude the process. No debt remained on CSA systems at March 2020 and these were subsequently closed and decommissioned, along with the CSA bank accounts, in August 2020.

Unpaid maintenance payments, or arrears, for cases on the 1993 and 2003 schemes are now all housed on the 2012 computer system but continue to be reported separately in this publication. Receipts and Payments for cases assessed under the 1993 and 2003 schemes of child maintenance are now made through a single Bank Account, used for both the legacy and 2012 schemes.

1.2 Impact of Covid-19

As part of the Departments' Covid-19 response, 1,500 CMS staff were redeployed to front line services to support the increase in Universal Credit (UC) claimants during the early days of the pandemic. To facilitate this, CMS operated a minimum service, making a number of temporary service easements. For the CSA legacy caseload now held on CMS, this meant that debt representation and write off was paused. Selection re-

commenced in July 2020; all cases that were eligible at the time were selected by February 2021.

As magistrate's courts adjourned, enforcement actions via courts were put on hold from April 2020 through to the end of August 2020. No new deductions orders were issued to banks and although attempts were made to impose deduction from earnings orders, businesses were not actively chased if they were unable to implement them. The Courts and Enforcement Agents recommenced operations in September 2020 with the majority of the CMS colleague resource also returning at that time. We estimate that between September and December court hearings were secured for approximately 95% of cases that were put on hold during the period of minimum service.

Enforcement action linked to cases being addressed under the Compliance and Arrears Programme was restarted in December 2020 and activities, outcomes and collections are back to business as usual with all cases which have been heard progressing without challenge.

2 Performance during 2020/21

2.1 Caseload

The CSA caseload continues to reduce; all cases are now held on the CMS system and the number of CSA cases has decreased from 97,700⁵ as at 31 March 2020 to 44,900 at 31 March 2021.

All cases have CSA historic arrears only, no new maintenance was charged against remaining 1993 and 2003 scheme cases.

Following the implementation of the Compliance and Arrears Strategy, the first letters were sent to PwC's on 14th December 2018. By 31 March 2021, 265,200⁶ cases had started the parent with care representation process.

- 4,300 cases (1.5%) issue of the letter to start the representation is pending trace of a reliable address for the parent with care
- In 6,300 cases (2.5%) the Department were unable to trace the parent with care
- In 2,700 cases (1%) the NRP was deceased

5 <https://www.gov.uk/government/statistics/child-support-agency-quarterly-summary-of-statistics-march-2021-experimental>

6 Numbers and percentages do not sum due to rounding in published QSS stats

- In 251,900 (95%) cases the Department has written to the parent with care, of which:
 - In 208,300 (83%) cases parents have either told us that they do not want us to attempt to collect the debt, or have not responded to the letter within 60 days of the first letter being issued
 - In 37,500 (14.5%) cases parents have asked us to attempt collection of the debt owed. We expect this proportion to rise as more cases progress through the parent with care representation process and reach the time limit to respond
 - 4,600 (2%) are still within the time limit to reply
 - In 900 (<1%) cases we were unable to trace the parent with care after the first letter was issued
 - In 400 (<1%) cases following the issue of the letter, NRP was deceased.

Up to the end of March 2021, 604,600 cases with non-paying historical debt have had their debt written off since the commencement of the Compliance and Arrears Strategy. Of these 604,600 cases: 105,400 were cases where amounts were owed to government, 277,200 were cases with amounts owed to parents which would not be subject to representation and a further 222,000 were cases eligible for representation. This is less than the 265,200 cases that started the representation process, as not all of those that started had their debt written off.

The CSA historic debt balance continues to reduce. This year, the value of CSA arrears has decreased by £230 million – from £540 million as at 31 March 2020 to £310 million as at 31 March 2021.

2.2 Receipts and payments of child maintenance

All receipts and payments made in 2020/21 were in relation to outstanding maintenance arrears. Total receipts during 2020/21 were 27% lower than 2019/20 at £33.5 million (2019/20: £45.6 million) reflecting collection of arrears only on a reduced caseload.

During 2020/21 payments were £39.6 million, a reduction of 13% to 2019/20 (2019/20, £45.3 million).

The CSA bank balance peaked in April 2014 at £32m and had steadily declined with payments out usually exceeding receipts since the start of the CSA Case Closure programme. Since the start of case closure, child maintenance funds received in respect of arrears due to the Secretary of State have been retained in the bank account. As caseworkers worked through 1.6m cases, updating them and investigating historic receipts, this funding was retained to mitigate against the risk of payments out exceeding receipts and the potential for an overdraft situation.

These retained funds were returned to the SoS prior to closure of the Legacy Accounts. Total net payments to

the Secretary of State (SoS) increased by £4.5 million from £1.8 million in 2019/20 to £6.3 million in 2020/21. Further information can be found in the notes to the accounts on page 57.

Child Maintenance received is paid to parents with care as quickly as possible, and cash held at 31 March 2021 equated to around 2% (31 March 2020 15%) of the funds received during the year. This reduction is due to return of funds to the Secretary of State.

There are a very small number of receipts which we are unable to match to individual clients and once all avenues have been exhausted to identify the correct PWC, funds were transferred to HM Treasury. The value of this in 2020/21 was £0.06m.

2.3 Outstanding arrears of child maintenance

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

Outstanding child maintenance arrears totalled £310 million at 31 March 2021 (a decrease of £230 million on 1993 and 2003 scheme arrears at 31 March 2020 of £540 million). Of these arrears, £305.3m is owed by NRP's to their respective PWC and

£4.7m to the SoS; these arrears have accumulated over the life of the CSA schemes.

The Department continues to either collect outstanding maintenance payments from NRP's, progress cases through representation or, where appropriate write off these arrears.

2.4 Collectability

Although the level of reported arrears is decreasing, they are still significant in value. The Department considers the collectability of this debt to be a meaningful measure, aiding the readers understanding of the Department's ability to collect this debt.

Arrears for the 1993 and 2003 schemes are no longer housed on the CSA systems and the Department's approach to assessing the collectability of reported arrears is under review.

During 2019/20, the Department commissioned Indesser, a private business, jointly owned by the government and TDX Group, to conduct collectability checks on representation cases where the Department's administrative collection processes had been exhausted. The bespoke collectability check provided the Department with a likelihood to pay ranking of 1) very low, 2) low, 3) medium, 4) high and 5) very high, and was based on a number of segmentation factors such as residency and financial vulnerability. Cases would be

categorised as ‘Not Traced’ in instances where no credit reference data could be found for a client.

Any debt classified by Indesser as having a ‘Very Low’ likelihood of being collected was written off by the Department following completion of the representation process.

The table below shows our estimate of uncollectable debt based on the average percentage breakdown of Indesser scoring outcomes between October 2019 and March 2021. Little fluctuation has been seen in the breakdown between categories during this period.

Definition	Score	Extrapolated debt at 31 March 21 (£m)	Indesser score %	Extrapolated debt at 31 March 20 (£m)	Extrapolated debt at 31 March 20 (%)
Not traced	0	15.5	5%	2.6	<1%
Very Low	1	71.3	23%	143.9	27%
Low	2	49.6	16%	92.6	17%
Medium	3	65.1	21%	113.7	21%
High	4	49.6	16%	86.0	16%
Very High	5	58.9	19%	101.1	19%
Total		310.0	100%	539.9	100%

In March 2021 CMG started a review of their approach to collectability based on the evidence gained through from the Indesser exercise which will be used to inform the future collections strategy.

Peter Schofield
Principal Accounting Officer

Date: 14 December 2021

3 Statement of Accounting Officer's responsibilities

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 1993 and 2003 statutory schemes in the form and on the basis set out in the Client Funds Accounts Direction.

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

- observe the Client Funds Account Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis; and,
- make judgements and estimates on a reasonable basis
- prepare the Account on a going concern 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: 14 December 2021

4 Governance Statement

4.1 Introduction

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 NRP's, payments to PWC's and the SoS in respect of arrears. Arrears have now all transitioned to the CMS system and are managed for The Department by the Child Maintenance Group (CMG).

In accordance with 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.

The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2021 relate to the CMG as part of the Department.⁷

This statement covers topics that are specific to the CMG operation within the Department with particular emphasis on the significant control challenges identified in relation to child maintenance.

⁷ <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2020-to-2021>

The historical control weaknesses of the systems underpinning the 1993 and 2003 statutory schemes resulted from limitations of the Information Technology systems. The Legacy systems have now closed and the remaining cases assessed under the 1993 and 2003 schemes are managed on the much improved 2012 system.

4.2 Control challenges

4.2.1 Historical incorrect maintenance assessments

Since 2013, all new maintenance assessments have been carried out by the CMS. However, assessment accuracy remains an issue for the 1993 and 2003 schemes and it is central to the modified audit opinions on the Client Funds Account. This is due to historic inaccuracies in maintenance assessments along with incorrect technical adjustments, and their impact on reported 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.

There were no maintenance assessments calculated in 2020/21 as all ongoing maintenance liabilities had ended on these schemes by December 2018.

Prior to debt balances transferring to the CMS system, a case cleanse process was introduced which consisted of

a combination of system checks to prompt caseworker action to improve case accuracy.

Case worker activities included ensuring completion of any critical tasks that could affect the debt balance of the cases prior to write off or undergoing representation, system functionality checked that these critical tasks had been performed. A skilled case closure support team was created to resolve any issues and case specific anomalies.

Debt balances leaving the CSA systems were reconciled on a daily basis to ensure that the same balance arrived on the CMS system. Subsequently, debt balances may be amended on CMS in response to client contact.

4.2.2 System and transaction controls

Up to late August 2020, the Department continued to utilise the 1993 and 2003 child maintenance Bank Accounts to process receipts and payments. Some transactional processing was handled by small systems outside of the main IT systems and there was a control challenge to ensure these small systems remain compatible with system and process changes arising from activities to close all legacy scheme cases.

One of these small systems improved the accuracy and efficiency of receipts and payment processing and this system evolved as Child Maintenance Reforms progressed and increased volumes of receipts paid into 1993 and 2003 systems needed to be transferred to 2012

system. A final change was made to automatically direct receipts to the 2012 system to enable the close down of legacy scheme bank accounts.

4.2.3 Information security

The General Data Protection Regulations (GDPR) came into effect on 25 May 2018 together with the 2018 Data Protection Act. These changes represented the biggest shake-up in data protection and privacy legislation in the EU for three decades, strengthening previous data protection law and updating it to take into account changes in technology and attitudes to privacy in the digital age. The GDPR is retained in domestic law as the UK GDPR.

The historic CSA systems were not compliant and would have required significant investment to reach GDPR standards. Instead, the Department continued with the approach outlined in the Compliance and Arrears Strategy, writing off the historic arrears, and responding to representation where the client wishes DWP to take action. All cases were removed from the historic CSA systems and those systems are now closed, addressing the GDPR compliance issue.

Under current DWP data retention policy, supporting case documentation is deleted 14 months after case closure, to ensure compliance with GDPR. Functionality has been introduced to the CMS system to delete cases in line with this policy, as this is the limit of timescales to appeal DWP decisions and after this point the Department does

not have an operational requirement to retain this data. As a result, both CMS and CSA cases hosted on the CMS system are now GDPR compliant.

The policy intent was compliance with GDPR, but alongside this, the Department has not ensured that adequate accounting records that support and explain transactions have been retained for audit. This resulted in some supporting records being deleted ahead of audit and has led to the limitation on the scope of the regularity opinion.

To safeguard against this happening in future, the data retention policy has been amended to ensure we retain adequate accounting records, whilst remaining compliant with GDPR. Necessary system changes to apply this policy are planned to be implemented by Spring 2022.

The Department 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

In relation to personal data breaches, the Department follows the guidelines from the Information Commissioner (ICO) which can be found at:

<https://ico.org.uk/for-organisations/guide-to-data-protection/guide-to-the-general-data-protection-regulation-gdpr/personal-data-breaches/>

During financial year 2020/2021 the DWP Data Protection team reported 21 personal data breaches to the ICO, 15 of these were in respect of CMG. There were also 146 enquiries in the form of Requests for Assessment (RFAs) from the ICO for the same period for the whole of DWP, of which 43 specifically involved enquiries about CMG.

CMG recognises the importance of protecting our client's data and have delivered security awareness and education sessions to all our staff, using internal communications to reinforce the impact that incorrect data and security breaches have on our clients and updating security procedures to be more reflective and easier to follow for caseworkers.

Accountability for breaches has visibility at senior levels which has led to improvements in Management Information.

Further information about Data Protection is being addressed within the Department and can be found in the DWP Annual Report and Accounts for 2020/21: [DWP annual report and accounts 2020 to 2021 - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/dwp-annual-report-and-accounts-2020-to-2021.pdf) (www.gov.uk)

4.2.4 The Child Maintenance Compliance and Arrears Strategy

The majority of debt write off under the Compliance and Arrears strategy was completed on CSA systems prior to their closure. A small number of cases were transitioned to the CMS system to undergo representation, to allow

the CSA systems to be decommissioned. Representation activity for these cases was paused as part of the DWP response to the pandemic but restarted in July 2020.

As long as CSA cases remain on the CMS system, a number will continue to be selected for representation where no payment has been received in the past 90 days.

Where debt is requested to be pursued in the representation process, CMG will attempt to contact the NRP to establish payment and, where appropriate, if payment is not forthcoming, enforcement powers can be administered to aid compliance.

Where contact cannot be made, for example insufficient evidence to trace the NRP, the debt will be written off.

For all CSA debt that has not been written off and where representation is successful we proactively manage cases on CMS and take action if they become non-paying.

4.2.5 Legacy funds in the CMS Bank Accounts

The legacy bank accounts which were used to manage receipts and payments in the Legacy systems were closed as part of the CSA decommissioning. All payments for CSA cases hosted on the CMS system are now received into the CMS Accounts.

There may be a small time delay where funds in the account are not immediately identified as relating to either the CMS or CSA schemes. This could be because an incorrect reference number has been quoted by the client or due to the clearance time between the receipt arriving in the bank account and its allocation to the appropriate CMS or CSA case. As a result, there is a potential risk that receipts received in the CMS bank account, pending allocation to a CSA scheme case, might be incorrectly identified between the CMS and CSA financial statements.

The Department has used a combination of system scans and evidence based estimation to address this issue and an adjustment of £729k is shown in the Receipts and Payments Statement (7.1) and the Statement of Balances (7.2) below, alongside an explanation of the estimation process in Note 8.3 to the account.

4.2.6 Detection of fraud and error

The Department has in place controls to prevent and detect fraud and error by child maintenance staff. An Audit Trail process exists to enable the Department to provide a single, consolidated view of all audited user activity on DWP systems, to improve the detection and deterrence of data misuse. The audit trail provision requires a cohesive collaborative working relationship between a number of independently managed teams including:

- The Management Information and Audit Requirements team (MIART) team who are responsible for the identification, development and enhancement of audit trails and associated Management Information.
- The Audit Data as a Service Team- ADaaS, who provide the analysis of user activities on DWP IT systems using an agreed set of rules which raise exceptions requiring further investigation
- The Internal Abuse Monitoring team who are part of the Cyber Resilience Centre (CRC) and who have Departmental responsibility for developing pre-defined business activity or risks against which audit trails are run to detect/deter data misuse.

CMG provide audit data feeds to ADaaS which enable CRC to monitor activity within those systems. The Department always investigates cases, refers to ICO and prosecutes as appropriate.

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

Adverse Opinion on financial statements

I certify that I have audited the financial statements of the Client Funds 1993 and 2003 Child Maintenance Schemes Account for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Receipts and Payments Statement, the Statement of Balances, the notes relating to receipts and payments, outstanding maintenance balances, and other related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and the Government Resources and Accounts Act 2000 as interpreted by the Accounts Direction issued by HM Treasury thereunder.

In my opinion:

- because of the significant matters discussed in the *Basis of Adverse Opinion* section of my certificate, the

accompanying financial statements do not properly present the Client Funds 1993 and 2003 Child Maintenance Scheme Account Statement of Balances as at 31 March 2021 and its receipts and payments for the year then ended.

- these financial statements have not been prepared, in all material aspects, in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Qualified Opinion on Regularity

In my opinion, except for the effects of the matters described in the *Basis of Qualified Regularity Opinion as a Result of Transactions not Conforming with Legislation* and except for the possible effects described in the *Basis for Qualified Opinion on Regularity as a Result of a Limitation of Audit Evidence to Support Arrears Write-offs* sections of my certificate, in all material respects, the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public

Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Department for Work and Pensions (the Department) in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse and qualified opinions.

Basis for Adverse Opinion

The individual arrears balances, which are the difference between the amounts due from non-resident parents and the amounts which have been collected under the Schemes, aggregate to the total outstanding maintenance arrears balance of £310 million disclosed in note 8.4. These balances are misstated as a result of a number of factors, most significantly due to errors in the historic underlying assessment calculations, and adjustments made to arrears balances in preparing this Account, which include further error. Given the

cumulative impact of these historic errors I am unable to quantify the financial effect of the error but have concluded there is a material level of misstatement in this arrears balance.

There are no active child maintenance cases under the 1993 and 2003 Child Maintenance Schemes therefore, the outstanding maintenance arrears balances drive the accounts including all receipts and payments. For that reason, I consider the material error within the outstanding maintenance arrears balance to be pervasive to the accounts.

Further details of my adverse opinion are provided in my report on pages 42 to 54.

Basis for Qualified Opinion on regularity as a result of transactions not conforming with legislation

Receipts from non-resident parents are presented on the Receipts and Payments Statement at £33.5 million. Although accounted for properly, a material portion of these recognised receipts from non-resident parents (and the subsequent payments to the parent with care or Secretary of State) are for incorrect amounts because of errors made in underlying maintenance assessments. These errors have resulted in incorrect calculations of

child maintenance payments which is not in keeping with the intentions of Parliament for the fund.

Because there are no active maintenance assessments relating to the 1993 and 2003 schemes, my assessment of irregularity in these transactions is based on previous estimates of error. Errors in underlying maintenance assessments have resulted in material levels of irregularity being identified in our audit since the inception of these schemes. The Department is not reviewing and correcting previously materially incorrect assessments on individual cases, and therefore the level of irregularity in these transactions remains material which has resulted in me again qualifying my regularity opinion.

Basis for Qualified Opinion on regularity as a result of a limitation of audit evidence to support arrears write-offs

In the year to 31 March 2021 £188.0 million of arrears write-offs have been recognised in the Client Funds 1993 and 2003 Schemes account as presented in note 8.4. The audit evidence available to me in respect of these write-offs was limited due to the deletion of records to support closed cases. Where case records have been deleted, I have been unable to obtain sufficient appropriate audit evidence to support the regularity of £79.4 million of arrears write-offs which occurred

in April, May and June 2020. Consequently, I cannot determine whether these write-offs have been carried out in accordance with Parliament's intentions and the legislation that governs them. As such, I have qualified my regularity opinion in relation to arrears write-offs.

Further details of my qualified opinions are provided in my report on pages 42 to 54.

Conclusions Relating to Going Concern

In auditing the financial statements, I have concluded that the Client Funds 1993 and 2003 Child Maintenance Scheme Account's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Client Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Foreword, Background, Performance during 2020/21, Statement of Accounting Officer's Responsibilities and Governance Statement, other than the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on Other Matters

In my opinion the information given in the Foreword, Background, Performance during 2020/21, Statement of

Accounting Officer's Responsibilities and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Client Funds 1993 and 2003 Child Maintenance Schemes Account and its environment obtained in the course of the audit, in respect solely of the matters referred to in the basis for our qualified opinion on regularity as a result of a limitation of audit evidence to support arrears write-offs:

- proper accounting records have not been kept; and
- I have not received all of the information and explanations necessary for the purpose of my audit.

I have not identified material misstatements in the Foreword, Background, Performance during 2020/21, Statement of Accounting Officer's responsibilities or Governance Statement. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- proper returns adequate for my audit have not been received from branches not visited by my staff; or

- that management's use of the going concern basis of accounting is appropriate and whether a material uncertainty exists related to events or conditions which may cause doubt on the Department's ability to continue as a going concern for a period of at least 12 months from the date of the approval of the financial statements; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance relating to Child Maintenance schemes.

Responsibilities of the Accounting Officer for the Financial Statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer, is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they are properly presented;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing the Client Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Government Internal Audit Agency (GIAA) and those charged with governance, including obtaining and reviewing supporting documentation relating to the Client Fund's and the Department for Work and Pensions' policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Client Fund's controls relating to Managing Public Money, the relevant Accounts Direction issued under the Government Resources and Accounts Act 2000 and other relevant legislation relating to Child Support and Maintenance.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified the potential for fraud in bias in management's estimate of cash and the posting of unusual journals;

- obtaining an understanding of Client Fund's framework of authority as well as other legal and regulatory frameworks that the Client Funds operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Client Fund. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money and other relevant legislation relating to Child Support and Maintenance; and
- specific risk assessments performed in respect of significant risks relating to non-compliance with laws and regulations or fraud, including risk-based sampling of manual journals to identify those presenting higher risk of fraud and understanding changes to the legislation relevant to Child Maintenance and Support.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- reading minutes of meetings of those charged with governance and the Board;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- reviewing the processes, verifying the data used and the appropriateness of the assumptions and judgements applied for the estimate associated with cash allocation in the accounts;
- in addressing the risk of non-compliance of Receipts and Payments with the relevant Child Maintenance legislation, understanding and assessing the impact of historic maintenance assessments on the regularity of transactions;
- assessing the impact of historic incorrect maintenance assessment and arrears adjustment errors on the valuation of the arrears balance; and
- performing testing of arrears written-off during the year to supporting evidence, to ensure that these adjustments were compliant with the relevant legislation.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications

of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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

Report

Further details of my modified opinions are provided in my report on pages 42 to 54.

Gareth Davies

Date: 15 December 2021

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

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

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 Child Maintenance Service (CMS) 2012 scheme, support children by collecting funds from non-resident parents and paying these funds to parents with care. There are no active child maintenance cases under the 1993 and 2003 Child Maintenance Schemes; only transactions and balances relating to outstanding child maintenance assessed under these Schemes are reported in this account.

2. This report relates specifically to the Child Maintenance Client Funds 1993 and 2003 schemes Account (the Account) and my modified opinions on that Account. It also considers the Department's progress in its management and closure of cases on these schemes. I have provided a separate certificate on the

Child Maintenance Client Funds 2012 Scheme Account (HC922)⁸.

Key findings

3. The Department for Work and Pensions (the Department) has not managed 1993 and 2003 child maintenance schemes cases with sufficient accuracy and has not retained sufficient records to support the transactions and balances in the accounts. I have therefore modified my opinions on whether the Account is properly presented and transactions and balances are regular due to inaccurate historic maintenance assessments, errors in arrears balances and the deletion of case records that support balances and transactions in the Account.

4. I have issued an adverse opinion as the £310 million arrears balance reported in Note 8.4 does not properly present unpaid maintenance. There are two significant causes of error in the reported arrears balance. Individual arrears on cases are misstated due to errors in the historic underlying assessment calculations. The Department also makes adjustments to the arrears balance in preparing this Account, and these adjustments include further error (paragraphs 11 to 13).

5. I have qualified my regularity opinion due to inaccurate historic maintenance assessments that affect receipts and payments. Where assessment

⁸ <https://www.gov.uk/government/collections/child-maintenance-client-funds-accounts>

calculations are inaccurate, the associated receipts and payments do not conform to scheme rules and are irregular. Errors in underlying maintenance assessments have resulted in material levels of irregularity being identified in our audit since the inception of these schemes. The Department is not reviewing and correcting previous incorrect assessments that underpin the arrears now being collected, and therefore I assess that the level of irregularity in receipts and payments due to historic errors in underlying maintenance assessments remains material (paragraphs 15 to 17).

6. I have also limited the scope of my regularity opinion as the Department has deleted case records relating to £79.4 million arrears that have been written-off during 2020-21. Child Maintenance legislation specifies the criteria under which the Department may write-off Child Maintenance arrears. Case records provide evidence that write-offs are made in line with the governing legislation. However, the Department has introduced a policy to automatically delete records from the child maintenance IT system 14 months after the case was closed. At the time of my audit, records relating to arrears write-offs in April, May and June 2020 had been deleted. As a result, I cannot determine whether write-offs totalling £79.4 million in those months are regular, and I have had to limit the scope of my audit (paragraphs 18 to 20).

7. The Department has reduced the arrears balance to £310 million at the end of 2020-21 from £540 million at the end of 2019-20, a reduction of £230 million. The Department continues to reduce the remaining arrears balance by writing-off or collecting the debt in line with the Department's Compliance and Arrears Strategy. The £230 million reduction in 2020-21 includes **£182 million (55,863 cases) that the Department has written-off using powers** that came into force in 2018, as they were below a statutory level, where parents agreed to write-off, or where parents could not be traced. A further **£6 million (1,714 cases) has been written-off using business as usual powers.** The remaining reduction in arrears is made up of £33 million of arrears collected to be paid onto parents with care (paragraphs 18 to 19 and 22 to 23).

8. As the Department is not taking action to correct past errors, I anticipate that I will continue to qualify the 1993 and 2003 Scheme Accounts in future.

Without action the balance reported in the 1993 and 2003 Scheme Account will continue to not properly present the outstanding maintenance arrears balance, and receipts and payments will remain materially irregular. The Department has committed to revise its case deletion policy to ensure records are available for audit in subsequent years, although records will continue to be deleted 14 months after cases close until March 2022 (paragraphs 21 to 24).

Recommendations

9. In addition to my findings in the course of my audit I continue to receive significant correspondence from parents using the 1993, 2003 and 2012 Child Maintenance Schemes. I noted in my report on the 2019-20 Account that the Department should do more to support accurate reporting and prompt payment to parents, as well as to understand the collectability of arrears. I will report more widely on the Department's provision of statutory child maintenance in 2022.

10. For the 1993 and 2003 schemes, the Department should continue to review the service it is providing to parents and ensure that it:

- maintains adequate records and has a clear process to support parents who have concerns around the accuracy of arrears balances that are now being collected;
- allocates sufficient resource to provide appropriate customer service and timely responses to queries and complaints on cases; and
- reviews its interpretation of the 2018 General Data Protection Regulations to ensure that it retains records to meet its responsibilities to ensure adequate accounting records are retained and available for audit, in line with requirements of the Companies Act 2006 and National Archives guidance.

Adverse properly presents opinion

11. Prior to the closure of the 1993 and 2003 Schemes, the Department assessed maintenance to be paid by the parent who does not live with their child or 'non-resident parent', to the 'parent with care'. Where a non-resident parent fails to pay maintenance in accordance with their child maintenance assessment, the Department records this in the 'outstanding maintenance arrears' balance and reports it in Note 8.4 of the Account. The balance of £310 million as at 31 March 2021 is the recorded cumulative total of outstanding maintenance arrears on 1993 and 2003 scheme cases since the Child Support Agency was established in 1993.

12. As the independent external auditor, I am required to give an opinion on whether the Account, including the outstanding maintenance arrears balance as at 31 March 2021, is properly presented. In my opinion there is material error in the value of arrears recorded in Note 8.4 to the Account, and therefore the outstanding maintenance arrears balance does not properly present the balance outstanding at 31 March 2021. I consider that the outstanding maintenance arrears balance is materially misstated due to:

- **Incorrect maintenance assessments**

The Department is unable to provide sufficient data to quantify the impact of its past incorrect maintenance assessments on the remaining arrears balance. 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 specific action has been taken to correct these assessments, I consider there remains a material level of error in arrears balances as a result of historic incorrect maintenance assessments.

- **Incorrect adjustments to arrears balances**

Adjustments have been applied to the arrears balance as part of preparing this Account and past Accounts. I have previously estimated that these adjustments have led to material error in the arrears balance. The Department has taken no corrective action to resolve these known errors in arrears adjustments and as a result I consider that the Arrears Note (Note 8.4) remains materially misstated.

13. As there are no longer active Child Maintenance cases under the 1993 and 2003 child maintenance schemes, the outstanding maintenance arrears and receipts and payments relating to collection of arrears form the entirety of the Account. For that reason, I consider the material error within the arrears balance to be pervasive to the accounts and have issued an adverse opinion on the Account.

Qualified opinion on regularity

14. I am also required to give an opinion on whether, in all material respects, the transactions and balances

within the Account have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the 'regularity' opinion). I have qualified my opinion due to material irregularity in receipts and payments and to reflect a limitation on the scope of my audit of arrears write-offs.

Qualified regularity opinion due to irregular receipts and payments

15. All receipts and payments reported in 2020-21 relate to collection of arrears. Errors in the historic calculations of the maintenance assessments that underpin these arrears mean that the assessments are not in accordance with specific legislative requirements and therefore the associated receipts and payments are irregular.

16. 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 its accuracy and thus the 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 IT systems, that has led to the significant levels of error in historic child maintenance assessment calculations.

17. The value of receipts in the Account has fallen from £45.6 million in 2019-20 to £33.5 million in 2020-21, in line with the ending of all cases with continuing maintenance payments. As there are no active maintenance assessments relating to the 1993 and 2003 schemes, my assessment of irregularity in these transactions is based on historic estimates of error in maintenance assessments. Errors in underlying maintenance assessments have resulted in material levels of irregularity being identified in receipts and payments since the inception of these schemes. The Department has assessed that it is not value for money to review and correct previously materially incorrect assessments on individual cases, and therefore the level of irregularity in receipts and payments remains material and I have again qualified my regularity opinion.

Qualified opinion on regularity as a result of a limitation of the scope of the audit

18. All assessments requiring continuing maintenance payments between parents through the 1993 and 2003 schemes ended by 31 December 2018 and any separated parents who require support with child maintenance arrangements must now apply to the 2012 Scheme. To fully close the 1993 and 2003 Schemes, the Department's 2018 Compliance and Arrears Strategy sets out its plans to reduce the historic arrears that have accumulated on the Schemes, through

collection or write-off under new powers⁹. In the three years since the Compliance and Arrears Strategy was introduced, the Department has reduced the arrears balance by £3,196 million, or 91% of the £3,506 million arrears balance at 31 March 2018, to £310 million at 31 March 2021.

19. During 2020-21, £188 million of arrears were written-off, including £182 million representing 55,863 cases written-off under new powers. The Department has implemented a policy of automatically deleting records from the child maintenance IT system 14 months after cases are closed and arrears balances are fully collected, written-off or adjusted to zero. This policy was part of the Department's implementation of the 2018 General Data Protection Regulations. I was able to obtain assurance over the regularity of write-offs where case records were provided for my testing. However, at the time of my audit, this policy meant that I was unable to view evidence for write-offs taking place in April, May and June 2020 totalling £79.4 million. I have been unable to assess the reason for these write-offs, and verify that they are in line with governing legislation. I am therefore unable to express an opinion as to whether these write-offs are regular and so have limited the scope of my regularity opinion.

20. The deletion of case records impacts on all cases, including those with assessments under 2012 scheme

⁹ <https://www.gov.uk/government/publications/child-maintenance-compliance-and-arrears-strategy-2018>

rules. While the value of cases deleted is immaterial to the 2012 scheme Account, the recommendations in this report are also relevant to the administration of the 2012 Child Maintenance Scheme. Since my audit, the Department has continued to delete case records 14 months after case closure. As explained at page 10 of the Department's Client Funds Governance Statement, it is currently reviewing its data retention policy, with changes to the child maintenance IT system planned to be implemented by March 2022. The Department's record retention policy should consider the requirements of the Companies Act 2006, National Archives guidance and other relevant sources to consider the legal requirements to maintain adequate accounting records for an appropriate period. This may also support customer service for parents.

The future of the 1993 and 2003 schemes

21. 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 in the 1993 and 2003 Scheme Account does not properly present the outstanding maintenance arrears balance due to historic incorrect maintenance assessments and adjustments. In the absence of any action to correct past maintenance assessment errors that underpin arrears balances, I anticipate that I will continue to view receipts and payments as materially irregular and to qualify the Account in future years.

22. The Department is using its existing powers, as part of its Compliance and Arrears Strategy, to enforce compliance with assessments, such as preventing non-paying parents from holding or obtaining a UK passport for a maximum period of 2 years, and removal of passports for non-paying parents. It is also using new powers included in the 2018 Regulations to enforce compliance. During 2020-21, £33 million of unpaid maintenance arrears was collected from non-resident parents with cases under the 1993 and 2003 schemes (£39 million during 2019-20).

23. Between 13 December 2018, when the Department commenced work under the Compliance and Arrears Strategy, and 31 March 2021, the Department reports¹⁰ that it has:

- Written to 251,900 parents with care with maintenance arrears of £1,379.9 million to ask if they want a last attempt to be made to try to collect the debt owed to them.
- Begun attempts to collect outstanding maintenance on 33,400 case groups with arrears of £51.6 million on 27,200 case groups either partially or fully completed at 31 March 2021.¹¹

¹⁰ Source: Child Support Agency quarterly summary of statistics: March 2021 (experimental) - GOV.UK (www.gov.uk). These numbers are unaudited and may not match those in the Account due to different bases of preparation.

¹¹ Where a non-resident parent has multiple cases, these cases are grouped into one case for collection.

- Written off outstanding maintenance arrears of £2,028.5 million across 604,600 cases of which £854.7 million was owed to government only.

At 31 March 2021, there remains 44,900 1993 and 2003 Scheme cases not yet closed.

24. Child Maintenance cases continue to generate a significant volume of the correspondence received by the National Audit Office. Correspondents raise concerns about the accuracy and management of their assessments and arrears and the customer service received from the Department when parents query assessments or arrears. I will report more widely on the statutory child maintenance schemes in 2022.

Gareth Davies

Date: 15 December 2021

Comptroller and Auditor General
National Audit Office
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7 Financial Statements

7.1 Receipts and Payments Statement for the year ended 31 March 2021

	Notes	2020/21	2019/20
		£000s	£000s
Receipts	8.2	33,474	45,620
Bank Interest	8.3	-	-
Total Receipts		33,474	45,620
Less payments to:			
Persons with Care	8.2	33,324	43,441
Secretary of State	8.2	6,303	1,773
Non-resident Parents/Employers	8.2	0	40
Department in respect of fees	8.2	0	0
Total Payments		39,627	45,254
Net receipts/(payments)		(6,153)	366
Balance as at 1 April		6,882	6,516
Balance as at 31 March		729	6,882

7.2 Statement of Balances as at 31 March 2021

	Notes	31 March 2021 £000s	31 March 2020 £000s
Opening balance		6,882	6,516
Movement		(6,153)	366
Closing cash balance	8.3	729	6,882

Peter Schofield
Principal Accounting Officer

Date: 14 December 2021

8 Notes to the account for the year ended 31 March 2021

8.1 Statement of accounting policies

The account has been prepared in the form directed by HM Treasury and shows receipts into and payments out of, the Client Funds bank accounts during the financial year, to the extent that these relate to amounts assessed under the CSA 1993 and 2003 schemes. An element of these receipts and cash is estimated as described in Notes 8.2 and 8.3 below and accounts adjusted to reflect this best estimate.

The aggregate of the maintenance assessment balances at the start and end of the financial year are reported on an accruals basis, along with movements in these arrears balances during the financial year.

The account has been prepared under the historic cost convention.

8.2 Receipts and payments

Receipts from clients relate to monies collected from NRP's by the Department for child maintenance and due to PWC's. For 2020/21 these relate to maintenance arrears only.

The receipts quoted in the Receipts and Payments Statement (Chapter 7) differ from the total receipts shown in the movements in the Outstanding Maintenance Arrears note (Note 8.4).

This is principally due to timing differences (e.g. uncleared funds, or receipts in the bank that have not yet been allocated to a case). The majority of receipts received in the bank account can be identified at a client level and can be allocated to the correct service and reported in the appropriate annual account.

However, receipts do not allocate immediately, for reasons such as; standard bank clearance times, incorrect reference numbers quoted, liability not yet due and more. Until receipts are allocated we are not always able to determine whether it relates to a CMS case, or a CSA case which has transitioned to the CMS 2012 IT system. As a result, an element of the total receipts must be estimated, as described in Note 8.3.

Included in the £33.3 million (2019/20, £43.4 million) paid to the parent with care is £25k (2019/20, £93k) transferred from Northern Ireland's Child Maintenance Service to fund payments made by the Department on NI CMS's behalf. The decrease from 2019/20 is due to the change in the handling of receipts; now Legacy systems are closed all payments are made electronically through the CMS system.

The payments to the Secretary of State of £6.3 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. This amount includes retained funds of £6.0m which had accumulated within the bank account by March 2020, as described in section 2.2. Retained funds were returned to the SoS prior to closure of the Legacy Accounts.

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 SoS.

Other payment categories relate to refunds/reimbursements to NRP's and employers for overpayments of maintenance, nil in 2020/21 (2019/20, £0.04 million).

8.3 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.

As the historic systems and associated bank accounts have closed, CMG now uses common bank accounts for both CMS cases and CSA cases that have transitioned to the CMS system. As such, the CMS bank balance as at the 31 March each year includes both CSA and CMS balances.

However, as highlighted in Note 8.2, we are unable to fully analyse each receipt held at year end and as such, an element of the bank statement must be estimated.

At 31 March 2021, the CMS bank account balance was £12.1m. Of this £12.1m cash balance, £8.6 million has been identified as attributable to the CMS 2012 scheme, £0.3 million to the 1993 and 2003 schemes, and £3.2 million cannot be determined. During the course of 2020/21, 87% of all receipts were allocated to the 2012 scheme. This is the most robust evidence based approach for apportioning the unallocated balance, and therefore 87% (£2.8 million) of the £3.2 million has been included within the CMS 2012 scheme receipts and balance, with the remaining 13% (£0.4 million) included within the 1993 and 2003 scheme accounts.

The cash balance included in the 1993 and 2003 scheme accounts whilst held in the CMS bank account is therefore £0.7 million (£0.3 million directly attributed and £0.4 million apportioned based on annual receipts) which forms part of the £0.7 million disclosed in the Statement of Balances.

8.4 Movements in 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 NRP's at the year-end,

and the movements in the balances outstanding between the beginning and end of the year.

Following the closure of the CSA systems, all arrears are now hosted and administered on the CMS systems.

The following table and accompanying notes explain movements between the opening and closing outstanding maintenance arrears:

CSA Arrears hosted on the CMS system	31 March 2021 £000s	31 March 2020 £000s
Outstanding maintenance arrears at start of year	539,946	2,177,461
Write Off (Note 8.4 (i))	(188,004)	(1,240,893)
Adjustments in Year (Note 8.4 (ii))	(9,172)	(36,913)
Debt cleansing (Note 8.4 (iii))		(320,988)
Maintenance Received in the year (Note 8.4 (iv))	(32,763)	(38,721)
Outstanding maintenance arrears at year end (Note 8.4 (v))	310,007	539,946

(i) Write Off

CMG makes use of write off powers granted as part of Write off and Part Payment legislation introduced in 2010. The regulations allow part payment of child maintenance arrears to be accepted in full and final settlement with the agreement of the Receiving Parent. The regulations also allow child maintenance arrears to be written off in certain explicit circumstances for example where the Receiving Parent tells us that they do not want the arrears to be collected or the Paying Parent has died. If a Paying

Parent dies and there are arrears of child maintenance outstanding, the CMG can make a claim for those arrears against the estate of a deceased Paying Parent, where it is appropriate to do so.

In addition, under the powers introduced as part of the Compliance and Arrears Strategy, the Department has made adjustments to the value of arrears.

In total £188 million has been written off on 1993 and 2003 scheme cases (2019/20, £1,241 million).

A significant amount written off last year was a direct result of new powers implemented under the Compliance and Arrears Strategy which is coming to an end.

(ii) Adjustments in year

This comprises outstanding maintenance transferred to and from the Northern Ireland Child Maintenance Service, and adjustments where the liability has been reduced, for example, as a result of a direct payment between parties which is offset against the maintenance due. The amount charged in 2020/21 was a negative value of £9 million (2019/20, negative £37 million).

(iii) Debt cleansing

In 2019/20, debt cleansing was required to address issues over the lifetime of the CSA systems that resulted in a number of occasions where correct processing through business as usual processes was not possible. All debt cleansed related to debt which was known to be

erroneous, such as duplicated and negative debt which was cleansed prior to system decommissioning.

(iv) Maintenance received during the year

This relates to amounts received from NRP's and the Northern Ireland Child Maintenance Service during the year. Where a correct reference is quoted by a client, a receipt is assigned automatically by the system to the case. Where an incorrect reference is quoted, CMG investigates; this will lead to a delay in the allocations process. 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 8.4. The total value of receipts allocated to cases in 2020/21 was £32.8 million (2019/20, £39 million).

(v) Outstanding maintenance arrears as at 31 March 2021

This is the balance of outstanding maintenance arrears recognised by the Department after write off of arrears and receipts of maintenance have been deducted.

9 Events after the reporting date

There have been no events after the reporting period.

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

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