

Social Fund Account 2022-2023

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Presented to Parliament pursuant to Section 167(4) of the Social Security Administration Act 1992

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Foreword

Background information

The Social Fund was established in 1987 and continues under section 167 of the Social Security Administration Act 1992.

1. Section 138(1) of the Social Security Contributions and Benefits Act (SSCBA) 1992 enables payments of prescribed amounts to be made out of the Social Fund to meet, in defined circumstances, maternity and funeral expenses.
2. Payments of Budgeting Loans are paid in accordance with directions given or guidance issued by the Secretary of State, under the Social Security Act 1998.
3. Section 138(2) of the SSCBA provides for payments to enable people who satisfy prescribed qualifying conditions to meet expenses for heating incurred or likely to be incurred during periods of cold weather. Regulations provide for payments from the Social Fund to be made to certain customers following a period of cold weather or when cold weather is forecast.
4. Winter Fuel Payments were introduced in 1997-98 and currently paid under Social Fund Winter Fuel Payments Regulations 2000, to provide automatic help to pensioner households to assist with fuel bills.
5. Social Security Act 1998 enabled us to recover Social Fund overpayments with effect from April 1998.
6. Section 168 of the Social Security Administration Act 1992 was amended and came into force on the 23rd July 2019 to include Children's Funeral Fund for England.
7. HM Treasury introduced firmer spending controls in April 2014. Winter Fuel Payments and Cold Weather Payments contribute to expenditure within the constraints of the Welfare Cap and the funding provision for Sure Start Maternity Grants and Funeral Expenses Payments is subject to the Departmental Expenditure Limit.

This year there has been a modification of the Social Fund Winter Fuel Payment Regulations 2000. The Social Fund Winter Fuel Payment (Temporary Increase) Regulations came into force on 19th September 2022 and extend to England, Wales and Scotland. The regulations have temporarily increased the Winter Fuel Payment lump sum by £300 per household for winter 2022/23. This is called the 'Pensioner Cost of Living Payment'. There will be an equivalent Winter Fuel Payment (Temporary Increase) Regulation for 2023/24 coming into force on the 18th September 2023.

Secretary of State's report

The Secretary of State is required by section 167(5) and (6) of the Social Security Administration Act 1992 to prepare an annual report on the Social Fund and to lay a copy of the report before each House of Parliament. The Social Fund annual report, which is unaudited, is expected to be presented to Parliament by December 2024. The report will give a detailed account of the activities and expenditure on the Social Fund for 2022-23.

Categories of payments

Budgeting Loans

Interest free loans are available to customers in receipt of a qualifying benefit¹ to help them cope with the expenditure associated with the purchase of major items or services including furniture and clothes.

Sure Start Maternity Grants

The Sure Start Maternity Grant (SSMG) is available to families in receipt of a qualifying benefit and who meet the eligibility criteria². The grant is worth £500 in respect of babies due, born, adopted or subject of a parental order on or after 16 June 2003. This is for England and Wales with separate arrangements for Scotland under Devolution and therefore payments to Scottish citizens are not included in the Social Fund account.

Funeral Expenses Payments

Funeral Expenses Payments are available to help with the cost of a funeral. They may be made for customers or their partners, who are in receipt of a qualifying benefit and meet the eligibility criteria³. Funeral Expenses Payments are recoverable from the estate of the deceased, even if the estate is not sufficient to permit full recovery. This is for England and Wales with separate arrangements for Scotland under Devolution and therefore payments to Scottish citizens are not included in the Social Fund account.

Cold Weather Payments

Cold Weather Payments are payable to customers who are in receipt of a qualifying benefit and meet the eligibility criteria⁴. Customers receive payments of £25 for each period of seven consecutive days during which the average temperature was or was forecast to be zero degrees Celsius or below in the area where the customer lives.

¹ <https://www.gov.uk/budgeting-help-benefits/eligibility>

² <https://www.gov.uk/sure-start-maternity-grant/eligibility>

³ <https://www.gov.uk/funeral-payments/eligibility>

⁴ <https://www.gov.uk/cold-weather-payment/eligibility>

Winter Fuel Payments

Winter Fuel Payments are payable to people of State Pension age who meet the eligibility criteria⁵, regardless of whether they are receiving a Social Security benefit. In 2022-23 this was customers born on or before 26 September 1956.

The total amount payable to a person eligible and under 80 years living alone in their own home was £500 for 2022-23, this includes the 'Pensioner Cost of Living Payment' uplift (£250 each if they shared a home with another eligible person aged under 80). For people aged 80 or over and living alone, the amount payable was £600 this year (£300 each if they shared a home with another eligible person aged 80 or over). Where one of the couple is over 80 and the other under 80 then the person over 80 receives £350 and the person under 80 receives £250.

Crisis Loans

Repealed in 2013, the Crisis Loan was an interest-free repayable loan for eligible customers to help with essential costs after an emergency or disaster, e.g. a flood or fire in the home⁶. There was no set amount for the loan as it depended on: personal circumstances, savings and/or whether a loan had already been taken out through the Social Fund.

Children's Funeral Fund

The Children's Funeral Fund will pay the fees charged by burial and cremation authorities and some associated expenses related to the funerals of children below the age of 18 and still-born children born after 24 weeks' gestation, when the funeral takes place in England. Payment is non-means tested and has no nationality or residence requirement.⁷

These payments are wholly administered by Ministry of Justice and, in accordance with HM Treasury Direction, are therefore not included in the receipts and payments account, the statement of balances or the associated notes to the account.

Basis for the preparation of the Account

Under section 167(4) of the Social Security Administration Act 1992, Accounts of the Social Fund are to be prepared in such form and in such manner and at such times as the HM Treasury may direct.

The HM Treasury Direction was amended in February 2020 to update the name of the Act. Before this administrative update, it had not changed since 2014-15 and the requirement for the continued production of the Account will be kept under review with HM Treasury.

⁵ <https://www.gov.uk/winter-fuel-payment/eligibility>

⁶ <https://webarchive.nationalarchives.gov.uk/ukgwa/20121102165322/https://www.gov.uk/crisis-loans/overview>

⁷ <https://www.gov.uk/child-funeral-costs/eligibility>

Financial Performance

During 2022-23 £278 million (2021-22: £303 million) of recoverable Budgeting Loan payments were issued. Recoveries of loans paid back into the Fund during the year were £322 million (2021-22: £350 million) for Budgeting Loans.

For 2022-23 there is a small payment of £8000 relating to Crisis Loans⁸ and £19 million (2021-22: £16 million) was recovered for historic Crisis Loans.

During the same period £46 million (2021-22: £49 million) Funeral Expenses Payments were issued, £0.6 million (2021-22: £0.7 million) was recovered and £46 million (2021-22: £44 million) was written off the total Funeral Expenses Payments debt, as there was no estate to recover from.

Regulated payments included Sure Start Maternity Grants costing £25 million (2021-22: £26 million) and Winter Fuel Payments costing £4,566 million (2021-22: £1,975 million). Citizens entitled to a Winter Fuel Payment in 2022-23 have received a 'Pensioner Cost of Living Payment' which is an extra £300 per household to help as part of the Government's cost of living support package. This accounts for an estimated total increase of £2.6 billion in Winter Fuel Payment expenditure⁹.

The total expenditure on Cold Weather Payments in 2022-23 was £140 million compared to £0.4 million in 2021-22. This was due to having a colder winter and therefore significantly more cold weather periods which triggered a payment. From 2022-23 this now excludes payments to citizens resident in Scotland as Social Security Scotland now provide an annual Winter Heating Payment¹⁰.

The Social Fund is maintained by loan recoveries and monies voted by Parliament. Expenditure is estimated at the start of the year and taking into account forecast recoveries, sufficient funds are transferred to the Fund to meet the Department's expected liabilities to the paying agents¹¹. Adjustments are made to the balances due to and from the paying agents during the normal course of business.

In 2022-23 there has been a £68 million decrease in our debt stock. This is due to recovery of debts from customers who are not taking out additional loans because of the diminishing size of the eligible customer base as they migrate over to Universal Credit and are no longer eligible for Budgeting Loans and Crisis Loans. This results in a greater value of recoveries than payments and a corresponding reduction in the debt balance. Please refer to note 3 for more information on the debt balance, recoveries and write offs.

The closing balance on the Fund is £534 million, increased by £157 million from £377 million in 2021-22.

⁸ Please refer to Note 2 in 'Notes to the Account'

⁹ DWP Annual Report and Accounts 2022-23 will be available at www.gov.uk

¹⁰ <https://www.mygov.scot/winter-heating-payment>

¹¹ The term 'Paying agents' cover both the customer and the funeral director in which we can pay on behalf of the customer for Funeral Payments.

The Department's aim is to ensure, in conjunction with HM Treasury, that a sufficient working balance is retained to both cover future demands and to protect the overall solvency of the Fund. As was mentioned in the 2021-22 Social Fund Account, the Department aimed to work jointly with HM Treasury during 2022-23 to agree an appropriate cash balance for the Fund, which would potentially involve a repayment of surplus funds being made by DWP. We undertook a thorough analytical review to assess the impacts of reducing demand and recoveries as customers migrate to Universal Credit. No repayment was made in 2022-23 as further work is required. We will continue to consult with HM Treasury to agree the longer term financial management of the Fund taking into account working capital and risk.

Recoverability of Debt

All debt balances in this Social Fund Account are disclosed before impairment is applied. The gross debt position is £243 million (2021-22: £311 million) of which there is an impairment provision of £52 million (2021-22: £49 million) in line with the Department's accounting policy. Social Fund debt is fully consolidated within the 2022-23 DWP Annual Report and Accounts¹² (see note 13), where the debt is impaired in accordance with departmental policy.

In line with the Department's recovery policy, debt is only written off in very limited circumstances. Our write off policy has been agreed with HM Treasury.

All evidence and assumptions used to calculate the Department's financial assets impairment are the best available at the time of the assessment.

The impact of impairment on Social Fund debt excluding overpayment debt is illustrated in the following table:

	Budgeting Loans	Crisis Loans	Funeral Expenses Payments	Total
	£'000	£'000	£'000	£'000
Gross debt position	161,816	53,404	28,130	243,350
Provision for Impairment	(14,001)	(13,282)	(24,759)	(52,042)
Net debt position	<u>147,815</u>	<u>40,122</u>	<u>3,371</u>	<u>191,308</u>

A customer may have multiple Budgeting Loans up to a maximum of £1,500 and to ensure repayments are affordable an individual payment plan is agreed with each customer. This means that it can take many years for loans to be recovered. Whilst we seek to recover all outstanding debt, we acknowledge that due to the age of some of our debt stock and the quality of information to support the debt and changes in customers' circumstances, not all debts may be recovered. In addition, for Funeral Expense Payments, recovery from the deceased's estate is not always possible in full and therefore the reason for impairment is due to the large number of loans written off where there is no estate to recover from. We believe that the impairment fairly reflects our collectability of the debt stock.

¹² <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2022-to-2023>

Statement of Accounting Officer's responsibilities

Under the Social Security Administration Act 1992, HM Treasury has appointed me, the Permanent Secretary of the Department for Work and Pensions, as the Accounting Officer for the Social Fund and has directed me to prepare for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction (Annex page 26). The accounts are prepared on a receipts and payments basis (including a Statement of Balances), and are properly presented, with notes to explain the financial basis, a statement of loans including an analysis of age of loans outstanding, a statement of losses and the policy on maintaining a standing balance.

In preparing the accounts, the Accounting Officer shall observe relevant accounting and disclosure requirements in the Government Financial Reporting Manual (FRoM), in so far as it applies to a receipts and payments account, and any other guidance issued by HM Treasury, and in particular 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;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FRoM have been followed, disclose and explain any material departures in the accounts and;
- prepare the Account on a going concern basis.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that Social Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that the Social Fund Account 2022-23 is as a whole, fair, balanced and easy to understand. I take personal responsibility for the Social Fund Account and the judgements required for determining that it is fair, balanced and understandable.

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 the Social Fund's assets, are set out in 'Managing Public Money', published by HM Treasury.



Peter Schofield
Accounting Officer
22 November 2023

The Social Fund Governance Statement 1 April 2022 – 31 March 2023

The Department for Work and Pensions (DWP) Accounting Officer System Statement (AOSS), available on www.gov.uk, sets out how the Permanent Secretary fulfils his responsibilities as Principal Accounting Officer, and describes the accountability system in place for the Department's expenditure which includes the Social Fund. The Department's governance statement in the DWP Annual Report and Accounts 2022-23¹³ provides assurance on how the system of control has operated during 2022-23. The statement outlines the Departmental Board's performance and its assessment of effectiveness, information regarding quality of information presented to the board and any committee reports.

Detail of Departmental Board membership attendance and activity is also available within the DWP Annual Report and Accounts 2022-23.

The System of Control

We are governed by

1. the Secretary of State's overall responsibility for the Department and its public bodies;
2. the Permanent Secretary's responsibility, both to the Secretary of State and directly to Parliament, as the Accounting Officer for the Department's expenditure and management; and
3. the Departmental Board's collective responsibility for advice on strategic and operational issues, and for scrutinising and challenging policies and performance

The System of Control also includes the departmental board sub-committees, details of which can be found in the DWP Annual Report and Accounts.

Risk, Controls & Compliance

We are monitoring and reviewing stored loan records and associated document retention policies to ensure compliance with General Data Protection Regulation (GDPR). Issues are discussed at the Data Protection Governance Board. There have been no referrals to the Information Commissioners Office in respect of the Social Fund.

Information Security

Under current DWP data retention policy, supporting case documentation is deleted 14 months after loan debt is cleared, to ensure compliance with GDPR.

¹³ DWP Annual Report and Accounts 2022-23 is available at www.gov.uk

The 2022-23 audit cycle commenced later than in previous years and so some supporting records were deleted ahead of audit. This meant that National Audit Office were unable to view evidence to support the regularity of some of sampled Funeral Expense Payments. The Department had previously recognised the retention policy for GDPR could be improved to ensure we retain adequate supporting customer records to evidence and explain decisions. Consequently, in March 2023 the Data Protection Governance Board approved an increase to the retention period for supporting records to 24 months from the last outstanding activity. This has been considered across the Department's benefits payment and debt records. The Department is now finalising the delivery plan for the required changes across multiple systems, we expect improvements to be in place for all Social Fund payments and debt records in 2023-24. The Department recognises the legal obligation to retain supporting customer records to support decisions. We consider the new policy of 24 months to be an appropriate period to comply with GDPR and Companies Act 2006.

Addressing Regularity Error

Following the identification of errors during the audit of 2021-22 Winter Fuel Payment exercise the Department scaled up the continuous improvement process for Seasonal Payment Service.

A root cause analysis identified categories of error which were reviewed to formulate and prioritise improvements based upon risk and value for money. These include:

- Limiting manual payment functionality to a small number of key experienced agents to reduce scope for erroneous payments
- Improvements to the training package for new and existing agents
- Improving system functionality to automate and record manually issued payments with an enhanced audit trail to reduce scope for duplicate payments
- Improvements to the Seasonal Payment Servicer user interface to enable agents to see the data used to derive an automated payment. This facilitates customer query handling and enables validation or correction of payment decisions
- Increased frequency of automated address update exercises from source systems prior to and during the annual payment exercise ensuring the customer's address occupancy data is as accurate as possible.

We have seen a significant reduction in volumes and causes of error found during testing of the 2022-23 payments. We did not identify any errors due to manual payments or delayed system address updates and are of the opinion this is directly attributable to the improvements we have made.

The Department continues to consider further improvements to systems, data sources and processes which we anticipate will continue to reduce payment errors driven by customer data in 2023-24. These include:

- Enhanced agent guidance in a central communications hub
- Exploration of real time data integration with pension systems

- Provision of an enhanced property matching service

The Social Fund is subject to the same governance and risk management as set out in the Governance Statement within the DWP Annual Report and Accounts 2022-2023. There are no further specific Social Fund risks or control issues to report.

Audit arrangements

The Comptroller and Auditor General is required under section 167(4) of the Social Security Administration Act 1992 to examine and certify the Social Fund Account and to lay copies of it, together with his report on it, before Parliament.

Audit and other reports to management

The Government Internal Audit Agency (GIAA) provides overall assurance over key areas of departmental performance.

There was one GIAA review relating to Social Fund in 2022-23 – Winter Fuel Payments Review.

Winter Fuel Payment Review

A report was commissioned from Government Internal Audit Agency by DWP in response to the issues identified during the audit of Winter Fuel payments for the 2021-22 Social Fund Accounts. The audit considered the adequacy of system controls and processes of Winter Fuel Payments. It also reviewed the adequacy of the Departments intended response to the payment errors identified, focusing on the design of any strengthened controls.

The results were issued on the 11 May 2023 and the overall level of assurance was moderate with one low priority recommendation. This focused on the management review of Management Information on Winter Fuel overpayments.

Regularity of expenditure

Where payments are not made in accordance with the legislation, they are irregular. The Department continues to keep the regularity of payments under review to ensure continual improvements are identified and developed. The Department's Quality Assurance Framework (QAF) aims to raise the standard of decision making, involve the stakeholders and include a thorough and reasoned check of the standard of decision making.

As part of the annual audit of the Social Fund White Paper Account, testing of payments was carried out to check for compliance with the Secretary of State directions and regulations. This is to provide an estimate of the level of irregularity in Social Fund payments. In 2022-23 the gross level of irregularity within Social Fund benefit payments is estimated to be £50.026 million (2021-22 £51.295 million) which is less than 1% of total Social Fund expenditure.

Winter Fuel Payments

The majority of the estimate relates to errors found in Winter Fuel Payments. This is 1.1% of Winter Fuel expenditure in 2022-23 compared with 2.6% in 2021-22. We estimated £19 million of overpayments where we found we had paid some eligible customers more than they were entitled as we did not take account of other eligible pensioners residing with them. We also estimate we have underpaid £29 million where we found a small number of pensioners who had received less than the amount they were eligible for as we incorrectly classified them as living with other eligible pensioners. Some of the over- and underpayment errors were caused by customers failing to notify us that they had changed address. This estimate represents a significant reduction in errors from 2021-22, however there is only a small movement in financial value of the estimate. This is caused by the 131% overall increase in Winter Fuel expenditure due to the temporary increase in payment rates to assist with the current cost of living pressures.

Other Social Fund Payments

One error was found in the regularity testing of Funeral Expense Payments relating to underlying benefit entitlement. This is estimated to represent £0.837 million of overpayments (2021-22 -£0.838 million of underpayments).

Regularity errors were not identified during testing of Budgeting Loans, Cold Weather Payments and Sure Start Maternity Grants

Following HM Treasury approval, £226,500 of estimated Cold Weather Payments relating to 2022-23 were written off. These payments were made to citizens who are in receipt of Universal Credit but are believed to be resident in residential care homes. The Universal Credit computer system does not currently have the facility to identify and prevent payments to these ineligible customers and therefore they are deemed overpayments which cannot be recovered. This will be rectified when Cold Weather Payments move to the Seasonal Payment Service.



Peter Schofield

Accounting Officer

22 November 2023

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Social Fund for the year ended 31 March 2023 under the Social Security Administration Act 1992. The financial statements comprise: the Statement of Balances as at 31 March 2023, the Receipts and Payments Account for the year ended, and the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the Social Security Administration Act 1992 as interpreted by the Accounts Direction issued by HM Treasury thereunder.

In my opinion, the financial statements:

- properly present the balance on the Social Fund as at 31 March 2023 and its receipts and payments for the year then ended; and
- have been properly prepared in accordance with the Social Security Administration Act 1992 and HM Treasury directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the effects of the matters described in the *Basis for qualified opinion on regularity*, section of my certificate, the income and expenditure 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.

Details of my qualified opinion are set out in my accompanying Report.

Basis for qualified opinion on regularity

In the year to 31 March 2023, the Social Fund paid £4,566 million in Winter Fuel Payments. I estimate that £49 million of payments (both over and underpayments) were not made in accordance with the Social Fund Winter Fuel Payment Regulations 2000. I consider the estimated error in Winter Fuel Payments to be material to my regularity opinion. These Winter Fuel Payments have been made outside of the relevant legislative terms.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 am independent of the Social Fund and the Department for Work and Pensions 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 opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Social Fund'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 Social 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, Statement of Accounting Officer's Responsibilities, and Governance Statement but does not include 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.

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, based on the work undertaken in the course of the audit, the information given in the Foreword, 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 is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Social Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword, Statement of Accounting Officer's Responsibilities and the Governance Statement.

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 by the Social Fund or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Foreword subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons involved with the financial reporting process for the Social Fund from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements and other section of the statements of account required to be prepared under section 167(4) of the Social Security Administration Act 1992 and are properly presented in accordance with the applicable financial reporting framework; and

- assessing the Social 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 Social Security Administration Act 1992.

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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Social Fund’s accounting policies;
- inquired of management, the Government Internal Audit Agency and those charged with governance, including obtaining and reviewing supporting documentation relating to the Social Fund’s policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Social Fund and Department for Work and Pension’s controls relating to the Social Fund and the Department’s compliance with the Social Security Administration Act 1992, Managing Public Money and other relevant benefit legislation and regulations;
- inquired of management, the Government Internal Audit Agency and those charged with governance whether:

- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Social Fund for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, bias in management estimates and irregular Social Fund payments and loans. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Social Fund's framework of authority and other legal and regulatory frameworks in which the Social Fund operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Social Fund. The key laws and regulations I considered in this context included the Social Security Administration Act 1992, Managing Public Money, and other relevant benefit legislation and regulations.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Government Internal Audit Agency and the Departmental Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Departmental Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud and error in Social Fund payments and loans, testing a sample of these to assess compliance with the relevant laws and regulations and to evaluate the level of error and non-compliance.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists 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.

Other auditor's responsibilities

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

I 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 I identify during my audit.

Gareth Davies

Date 28 November 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

1 The Department for Work and Pensions (the Department) is responsible for managing the Social Fund under the Social Security Administration Act 1992. The Social Fund White Paper Account (the Account) is a White Paper Receipts and Payments Account administered by the Department in accordance with the directions issued by HM Treasury under the Social Security Administration Act 1992.

The purpose of my report

2 The purpose of this report is to:

- Explain the circumstances which led me to qualify my audit opinion on regularity on the 2022-23 Social Fund White Paper Account;
- Provide a brief update on actions taken by the Department to reduce the irregularity in Winter Fuel Payments; and
- Explain where Social Fund has not maintained adequate case records to support the regularity of an immaterial amount of Funeral Expenses payments.

Qualified opinion on regularity due to irregular Winter Fuel Payments

3 Winter Fuel Payments are paid to eligible pensioners in accordance with the Social Fund Winter Fuel Payment Regulations 2000 which outline the criteria for eligibility and value of payments. Payments are largely determined by residential status (including whether customers live alone or in care homes). The Department relies on the accuracy of existing customer address data it holds to determine eligibility for awarding automatic Winter Fuel Payments.

4 In 2021-22, the Department estimated the total gross irregularity arising from overpayment and underpayment errors in Winter Fuel payments of £50.4 million against total payments of £2 billion. I considered this to be material to my regularity opinion. As a result, I qualified my regularity opinion on Social Fund White Paper Account 2021-22 due to material irregularity in Winter Fuel Payments.

5 In the 2022-23 Account there are circa. £4.6bn of Winter Fuel Payments following the introduction of a pensioner cost of living element that increases the value of the payment. To estimate the gross irregularity in these payments, the Department performed a sampling exercise to test a selection of cases and it has extrapolated the results of this testing to assess the level of error. My audit approach for this estimate included selecting and re-performing testing for a sample of cases from the Department's exercise to assess whether I could rely on the results of this work as input data for the irregularity estimate. I also performed procedures to: evaluate the method and mechanics of the Department's extrapolation; and, to assess the uncertainty of its estimate of the level of irregularity within the Winter Fuel Payments population.

6 Through its sampling exercise the Department identified 7 Winter Fuel Payments which did not conform to the Social Fund Winter Fuel Payment Regulations 2000. These errors in

automatic payments were made because of the Department holding inaccurate customer address data or address data being incorrectly matched with another customer's address. The errors identified were both over and underpayment errors. The Department estimated total gross misstatement arising from these errors is £48 million which consists of £19 million overpayments and £29 million underpayments. The error estimate of £48 million has a lower error limit of £17 million and an upper error limit of £90 million.

7 In assessing the Department's error estimation process, we identified an untested population and unreconciled population difference totalling £1.2m that we have assessed as being additional known error for this estimate. Inclusion of these amounts as known error takes the total gross misstatement from errors in Winter Fuel Payments to £49.2 million, with a lower error limit of £18.2 million and upper error limit of £91.2 million.

8 The Department did not include £10.6m of returned payments within its sampling exercise population. These returned payments are bank rejections which could occur for several valid reasons. The Department has told us that it investigates all returned payments and if appropriate the payment will be reissued using new account details. Some returned payments within this population could be irregular underpayments of Winter Fuel Payment, this would further increase the estimated level of irregularity in Winter Fuel Payments. The Department should assess the irregularity within this population in future years; this could include analysis of data available from existing business processes.

9 I consider the estimated error in Winter Fuel Payments, and the confidence intervals around this, to be material to my regularity opinion. I have therefore qualified my regularity opinion on the Account. This qualification pertains only to Winter Fuel Payments.

Action to reduce Winter Fuel Payment irregularity

10 The error identified in 2022-23 Winter Fuel Payments of £49.2m represents 1.1% of Winter Fuel Payments. This is a decrease on the relative level of error identified in 2021-22 which represented 2.6% of Winter Fuel Payments. This reflects the positive progress the Department has made in responding to this issue. Since my qualification of the 2021-22 Account, the Department has put in place additional controls to improve the quality of customer data held within its systems; including timelier matching of data to allow errors to be corrected before payments are made. Additional controls have also been implemented over manual payments that are made by case workers, this has accounted for most of the improvement in the error rate.

11 As described in the Governance Statement on page 9, the Department is planning additional improvements that should be evident in the 2023-24 Account. In my audit of the 2023-24 Account, I will evaluate the effectiveness of these actions in reducing the irregularity of Winter Fuel Payments.

Retention of evidence to support Funeral Expenses Payments

12 The Department has implemented a policy of automatically deleting records relating to Funeral Expenses Payments from the Social Fund Computer System 14 months after these payments are made and any related loans are written off. This policy was part of the Department's implementation of the 2018 General Data Protection Regulations.

13 At the time of my audit, this policy meant that I was unable to view evidence to

support the regularity of an estimated £15 million of Funeral Expenses Payments made during the year. This represents 33% of total Funeral Expenses Payments of £46 million. I have been unable to assess that these payments have been made in accordance with governing regulations. I am therefore unable to conclude on the regularity of these payments. The value of unsupported records is immaterial to this account, and therefore this issue does not impact on my regularity opinion.

14 As explained at page 9 of the Social Fund White Paper Account Governance Statement, the Department plans to increase the retention period for supporting records to 24 months, with delivery of these changes expected in 2023-24. 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.

Gareth Davies

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 28 November 2023

Receipts and Payments Account for the year ended 31 March 2023

	2022-23 £000	2021-22 £000
Receipts		
Receipts from the Secretary of State		
Discretionary		
Regulated	203,168	74,767
Winter Fuel Payments (Regulated)	4,666,261	1,974,346
	<u>4,869,429</u>	<u>2,049,113</u>
Repayments of Budgeting Loans	322,367	350,199
Repayments of Crisis Loans	18,702	15,942
Repayments of Funeral Expenses Payments	583	677
Refund of Social Fund Overpayments Discretionary	1,130	1,349
Refund of Social Fund Overpayments Regulated	365	636
	<u>5,212,576</u>	<u>2,417,916</u>
<i>Less</i>		
Payments		
<i>Discretionary</i>		
Budgeting Loans	277,699	303,209
Crisis Loans	8	(22)
Community Care Grants	0	0
<i>Regulated</i>		
Winter Fuel Payments	4,566,343	1,974,616
Funeral Expenses Payments	46,177	49,197
Sure Start Maternity Grants	25,353	25,654
Cold Weather Payments	139,825	439
	<u>5,055,405</u>	<u>2,353,093</u>
Excess of receipts over payments prior to repayment	<u>157,171</u>	<u>64,823</u>
<i>Less</i>		
Repayment of surplus funds by Secretary of State to HM Treasury	0	0
Total excess receipts over payments / (payments over receipts)	<u>157,171</u>	<u>64,823</u>

Statement of Balances as at 31 March 2023

	2022-23 £000	2021-22 £000
Opening Balance	376,909	312,086
Excess receipts over payments after repayment to HMT	157,171	64,823
Excess of Payments over receipts after repayment to HMT	0	0
Closing Balance	<u>534,080</u>	<u>376,909</u>

The Notes on pages 22 to 25 form part of this Account.



Peter Schofield
Accounting Officer
22 November 2023

Notes to the Account

1. Accounting Policies

The Account is prepared per the Accounts Direction which is provided by HM Treasury in accordance with section 167(4) of the Social Security Administration Act 1992. This Account has been prepared on a cash basis with no provision for accruals. The figures for 2021-22 are given for comparison and are taken from the Account for that year (House of Commons Paper No.456 of 2021-22).

2. Financial basis of the Social Fund

Payments from the Fund are split into two broad categories, discretionary and regulated. Historically, discretionary payments have comprised of Budgeting Loans, Crisis Loans, and Community Care Grants and were cash limited. The Welfare Reform Act 2012 abolished the Discretionary Fund on 31 March 2013. The Department continues to pay Budgeting Loans to customers on legacy income related benefits and Pension Credit. The Department plans to replace legacy benefits with Universal Credit by the end of 2028. There will be a corresponding reduction in the volume of Budgeting Loans issued leaving only customers eligible through Pension Credit.

Where the customer has moved to or from Northern Ireland (NI), the transfer of customer debt is recorded as payments of Crisis Loans and Budgeting Loans in the receipts and payments schedule. Under current legislation a reciprocal arrangement between Great Britain and NI allows a customer debt to move to or from NI with the customer, this enables collection of the debt through the host country's benefit system. For 2022-23 these transfers have resulted in a small positive payment relating to Crisis Loans due to customers transferring from Northern Ireland to Great Britain.

Regulated payments are Sure Start Maternity Grants and Funeral Expenses Payments, which are demand led, and Cold Weather Payments and Winter Fuel Payments, which are paid to qualifying customers.

Section 78(1) of the Social Security Administration Act 1992 provides that, an award from the Social Fund, which is repayable, shall be recovered by the Secretary of State. Budgeting Loans are financed by these recoveries and, the Regulated Fund is financed by the Secretary of State. In addition, section 78(4) of the Act provides that payments to meet funeral expenses may be recovered from the estate of the deceased.

3. Statement of Loans and Funeral Expenses Payments

Statement of Loans/FEP

	2022-23			Total	2021-22
	Budgeting Loans	Crisis Loans	Funeral Expenses Payments		Total
	£000	£000	£000	£000	£000
Amount outstanding at 1 April 2022	209,360	73,173	28,319	310,852	372,993
Amount loaned	277,699	8	46,177	323,884	352,384
Transferred to overpayments	(967)	(134)	(70)	(1,171)	(1,232)
Amount recovered	(322,367)	(18,702)	(583)	(341,652)	(366,818)
Adjustments and amounts written off	(1,909)	(941)	(45,713)	(48,563)	(46,475)
Amount outstanding at 31 March 2023	161,816	53,404	28,130	243,350	310,852

The amount for loans outstanding at 31 March 2023 shown in this note is based on cumulative loans and repayments disclosed in the Receipts and Payments Account less accounting adjustments and amounts written off. The statement of loans reflects the gross total debt balance before impairment, not all of which we consider recoverable. Please see the Recoverability of Debt section in the Foreword.

Crisis Loans have not been payable in Great Britain since April 2013. The balance for amounts loaned for Crisis Loan debt is relating to customers transferring from Northern Ireland to Great Britain.

The amount outstanding also incorporates £242,000 of loans showing a credit balance. This credit represents over recovery, which we will seek to repay to the customer. Where we have been unable to trace the customer to make a repayment to them, the Department will retain the liability for six years. If at that point no repayment has been able to be made, action would be taken to clear the credit balance.

The increase in 2022-23 adjustments and write offs was due to a higher volume of Funeral Expense Payment write offs as we continue to clear Funeral Expense debts from prior years which can be held pending winding up of the deceased's estate.

Social Fund continues to pursue recovery of Funeral Expenses Payments where there is an estate, or a likelihood of one, but for applications where no estate or other asset is declared, abandonment action is taken immediately.

4. Age of Loans and Funeral Expenses Payments Analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2023, £15,109 million loans have been paid. Over this period, £14,537 million of these loans have been recovered and £343 million written off. This, and other adjustments, leaves a balance of £243 million outstanding at 31 March 2023. Loans are normally recovered by deduction from Social Security benefits including State Pension and where this is not possible, by instalments through other means e.g. direct debit or deduction from earnings. Where a customer has more than one loan, the earliest loan is normally recovered first, with recovery of later loans following automatically. A number of loans

may take several years to recover fully and recovery procedures and arrangements continue to be kept under review.

An analysis of age of loans and Funeral Expenses Payments outstanding is summarised below:

Age of Loan/Funeral Expenses Payments

	2022-23			Total	2021-22 Total
	Budgeting Loans	Crisis Loans	Funeral Expenses Payments		
	£000	£000	£000	£000	£000
Five years and over	47,795	53,403	827	102,025	134,360
Between one year and five years	31,573	1	18,305	49,879	65,164
Less than one year	82,448	-0	8,998	91,446	111,328
	161,816	53,404	28,130	243,350	310,852

5. Statement of losses

Social Fund losses have been fully disclosed in the Accountability Report within the Department's Annual Reports and Accounts¹⁴.

6. Statement of assets and liabilities

	Liabilities £'000	Assets £'000
Government Banking Service		531,432
Net balance with the Parliamentary Vote		2,160
Net balance with DWP Administration		(2)
Net balance with the National Insurance Fund		480
Other Government Creditors / Debtors (NET)	(10)	
Balance of Social Fund	534,080	
	<u>534,070</u>	<u>534,070</u>

The Balance of Social Fund represents the cumulative excess of receipts over payments since the inception of the Fund. The equity balance is held as a liability, representing payable accounts which includes repayments back to HM Treasury.

The Government Banking Service is a shared government function which provides critical banking services across central government and for wider public sector customers. The net balance with the parliamentary vote is money owed to working-age benefits and the Pension Service.

¹⁴ DWP Annual Report and Accounts 2022-23 will be available at www.gov.uk

A minimum balance is kept in the bank as a contingency; this was set at £25 million with the approval of HM Treasury. Due to the uncertainty in both demand and recoveries beyond 2022-23, the Department has retained a closing bank balance that is larger than usual. We will continue to work jointly with HM Treasury during 2023-24 to agree a suitable balance for the future.

Events after the Reporting Date

There were no events after the reporting period.

The Accounting Officer authorised these financial statements for issue on the same date that the Comptroller and Auditor General signed his Certificate.

Annex

Accounts Direction given by HM Treasury in accordance with section 167(4) of the Social Security Administration Act 1992

1. The Treasury in accordance with section 167(4) of the Social Security Administration Act 1992 hereby gives the following direction.
2. The statement of account, which it is the duty of the Department for Work and Pensions under section 167(4) of the Act in respect of the transactions of the Social Fund, shall be prepared for the financial year ended 31 March 2023 and each subsequent financial year, and shall comprise:
 - i. a foreword
 - ii. an account of receipts and payments
 - iii. a statement of balances

and shall include any such notes as may be necessary for the purposes referred to in the attached schedule.

3. 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, as amended or augmented from time to time.
4. The format of the statement of account and the disclosure requirements are in the attached schedule.
5. The Accounting Officer shall sign the foreword and account.
6. The Accounts Direction shall be produced as an annex to the accounts.

Charlotte Goodrich
Deputy Director,
Government Financial Reporting,
HM Treasury,
26 January 2021

Schedule – Format of Account and Disclosure Requirements

- 1 The foreword shall state that the account has been prepared in accordance with a direction issued by Treasury in pursuance of section 167(4) of the Act. The foreword will also include details of the following:
 - (a) a brief history of the Social Fund and its Statutory background;
 - (b) categories of payment;
 - (c) financial performance;
 - (d) the preparation and laying before each House of Parliament of the Secretary of State's annual report on the Social Fund under paragraphs (5) and (6) of section 167 of the Act;
 - (e) audit arrangements; and
 - (f) Responsibilities of the Accounting Officer

- 2 The receipts and payments account and statement of balances shall conform to the formats shown in the Annex, although minor variations may be made.

- 3 The notes shall include:
 - (a) an explanation of the financial basis of the Social Fund;
 - (b) a statement of loans including an age analysis of loans outstanding;
 - (c) a statement of losses; and
 - (d) the policy on maintaining a standing balance.

Receipts and Payments Account for the year ended 31 March XXXX

	£'000	20XX-XX £'000	20XX-XX £'000
Receipts			
Receipts from the Secretary of State			
Discretionary			
Regulated			
Winter Fuel Payments (Regulated)			
Repayments of Budgeting Loans			
Repayments of Crisis Loans			
Repayments of Funeral Expenses Payments			
Refund of Social Fund Overpayments Discretionary			
Refund of Social Fund Overpayments Regulated			
<i>Less</i>			
Payments			
<i>Discretionary</i>			
Budgeting Loans			
Crisis Loans			
Community Care Grants			
<i>Regulated</i>			
Winter Fuel Payments			
Funeral Expenses Payments			
Sure Start Maternity Grants			
Cold Weather Payments			
Excess of receipts over payments/ (Excess of payments over receipts) prior to repayment			
<i>Less</i> Repayment of Surplus Funds by Secretary of State to HM Treasury			
Total Excess of receipts over payments/ (Excess of payments over receipts) after repayment			

Statement of Balances

	20XX-XX £'000	20XX-XX £'000
Opening Balance		
<i>Plus</i>		
Excess of receipts over payments after repayment		
<i>Less</i>		
(Excess of payments over receipts after repayment)		
Closing Balance		

The Notes on pages x to x form part of this Account.

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