



Department  
for Work &  
Pensions

# Client Funds Account 2022/23

1993 and 2003 Child Maintenance  
Schemes





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Pensions

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1993 and 2003 Child Maintenance  
Schemes

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

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# Foreword

The Department for Work and Pensions (the Department) 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).

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.

CMS 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 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 running costs of CMS are charged to the Department and reported in the Department's Annual Report and Accounts<sup>1</sup>. However, for Client Funds, CMS 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.

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 due to inaccurate assessments and incorrect processing since the inception of these schemes through to the close of the scheme in 2012.

The second is a qualified regularity opinion because the assessment of some of the amounts due to be paid are incorrect. Given that the qualification is regarding the original calculations of child maintenance payments rather than the collections thereof, additional work has not been undertaken to seek removal of this qualification.

<sup>1</sup> <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2022-to-2023>

# 1. Management Commentary

## 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 was introduced in 2003. A later 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. The term legacy is often used when referring to the historic schemes and their supporting infrastructure.

In June 2014, the Department began to close the cases managed by the CSA on the 1993 and 2003 Schemes. As part of this closure process, parents were advised to contact Child Maintenance Options and offered impartial information on the different maintenance options available which included 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 publication<sup>2</sup>. The on-going liability (requirement to pay child maintenance) was ended on all CSA cases by December 2018.

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<sup>3</sup>. The CSA wrote to the Parent with Care (PWC) to ask if they wanted a last attempt to be made to try to collect their debt in cases where:

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

This process is called 'representation'. If the PWC responded stating that they still want their debt recovered, CMS would determine if there is a reasonable chance of collection and proceed appropriately, else the debt was written off.

Although most CSA cases completed representation from legacy systems, some transitioned to the CMS system to allow the CSA systems to be decommissioned and the associated bank accounts closed. The remaining 1993 and 2003 scheme cases are now housed on the 2012 computer system and all receipts and payments flow through the 2012 scheme bank accounts, but are reported separately in this publication.

<sup>2</sup> <https://www.gov.uk/government/publications/child-maintenance-ending-liability-scheme>

<sup>3</sup> <https://www.gov.uk/government/publications/child-maintenance-compliance-and-arrears-strategy-2018>



## 1.2. Performance during 2022/23

### 1.2.1. Caseload

A case comprises of a set of two ex-partners who have children. Both the NRP and PWC may have multiple cases and the collection of cases belonging to a single PWC is called a case group. A NRP may have more than one PWC; each PWC within a case group is referred to as an arrangement.

The number of case groups with CSA arrears on the CMS system has reduced to 42,500 at 31 March 2023 from 53,900 at 31 March 2022, a reduction of 21%.

Caseload at 31 March <sup>4</sup>	2023	2022
	Volume	Volume
Total NRP's with CSA Arrears	42,500	53,900
Number of corresponding arrangements	52,500	65,400
Total NRP's who transferred from CSA systems with Arrears only	23,000	29,100
Number of corresponding arrangements	24,300	30,800

As part of case closure, CSA clients with ongoing maintenance liabilities were supported in making a choice regarding their future child maintenance arrangements. The total NRP's with CSA arrears includes those parents who chose to open a new case with the CMS and these parents will also be counted in the CMS statistics if their CMS arrangement is still ongoing.

Cases with no ongoing maintenance liabilities at the time of transfer completed representation on the CSA system and transferred to the CMS for ongoing collection of the debt on behalf of the PWC.

Of the remaining case groups, some may start the representation process in the future due to changes in circumstances under the terms agreed in the compliance and arrears strategy and the caseload will continue to reduce.

### 1.2.2. Receipts and payments of child maintenance

All receipts and payments made in 2022/23 were in relation to outstanding maintenance arrears. Total receipts during 2022/23 were 24.9% lower than 2021/22 at £22.3 million (2021/22: £29.7 million). Payments to parents with care were £22.1 million, a reduction of 25.1% (2021/22, £29.5 million). These reductions reflected the reducing overall caseload within this scheme.

Child Maintenance received is paid to parents with care as quickly as possible, and the estimated cash held at 31 March 2023 attributed to CSA cases showed a slight increase being 1.8% (31 March 2022 1.7%) of the funds received during the year. Additional information can be found in Note 8.2.

During the 2021/22 audit a receipt was identified that had not subsequently paid out to the PWC. The CMS acted promptly to investigate and found other instances where clients had continued to pay CMS when their case had either closed or had changed to Direct Pay. Some of these overpayments relate to

<sup>4</sup> Child Maintenance Service statistics - GOV.UK ([www.gov.uk](http://www.gov.uk))

clients assessed on the 1993 and 2003 schemes. System enhancements are being implemented and clients impacted contacted. This work is expected to be completed by December 2023.

### **1.2.3. 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 that have accumulated over the life of the CSA schemes have reduced by £49.1 million in year to £195.7 million at 31 March 2023, all of which is owed by NRP's to their respective PWC. A breakdown of this reduction can be found in Note 8.4.

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

### **1.2.4. Sanctions**

When a payment is missed, the CMS contacts the NRP to find out why they have not paid and arranges for them to pay what they owe or informs them about possible enforcement action if they do not pay. If the parents are paying child maintenance using Direct Pay, the PWC can request that the CMS act. The CMS can collect unpaid child maintenance in several ways. This includes:

- Taking money from the NRP's earnings through a deduction from earnings order/request. The CMS will tell the NRP's employer how much to take from their wages. The employer must then pass on the money, or they can be taken to court.
- Deduction from Benefit if the NRP is in receipt of benefit payments.
- Taking money directly from the NRP's bank or building society account by deduction order, including from Joint, Business and Partner accounts linked to the NRP.
- Taking the NRP to court. The courts can grant liability orders which allow the parent to be referred to Enforcement Agents who could remove goods of value from the property to pay the unpaid maintenance and any costs. The courts can also apply a charging order which secures the debt against a property and ultimately force the parent to sell property through an order for sale, using the money to pay off the unpaid maintenance. If these methods fail, the CMS can apply for the courts to disqualify the parent from driving, send them to prison or confiscate the passports of non-compliant NRP's.

Sanctions are only used when every other method of recovering unpaid child maintenance has been attempted. The CMS only pursues these sanctions when they believe the NRP can pay but is refusing to do so.

In the past year to March 2023, the CMS collected £3.9 million (2021/22, £2.3m) from NRP's with a sanctions action in process across all schemes.

### **1.2.5. Collectability**

Following completion of the bulk representation process in June 2021, all remaining cases are treated as potentially collectable, and action is taken to seek to collect the debt. Cases which subsequently become non-paying are progressed through enforcement. All cases are either in payment, in enforcement or subject to representation and write off, if a decision is taken not to pursue the debt. Evidence from the last two years supports an estimate that 50% of the total 'in year' arrears reduction will be due to write off.

**Peter Schofield**  
**Principal Accounting Officer**

**Date: 27 November 2023**

## 2. 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: 27 November 2023**

## 3. Governance Statement

### 3.1. Introduction

The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2023 relate to the CMS as CMS is an intrinsic part of the Department<sup>5</sup>. This statement covers topics which are applicable to the CMS operating within the Department and significant control challenges identified in relation to child maintenance.

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 2012 system.

### 3.2. Control Challenges

#### 3.2.1. Historical incorrect maintenance assessments

Since 2013, all new maintenance assessments have been carried out by the CMS, however assessment accuracy remains an issue as 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 from earlier years continue to affect arrears balances and contribute to the qualified regularity opinion on receipts and payments.

There were no maintenance assessments calculated in 2022/23 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. These processes ensured that any outstanding activities that could affect the debt balance on the case had been completed prior to undergoing write off or representation. Full recalculation of each case could not be justified on value for money grounds given the limited future life of the schemes.

All debt balances are now housed on the CMS system, but they can still be amended in response to client contact.

#### 3.2.2. Information security

The Department is committed to treating client's data with respect and to handling the large quantities of personal data it processes in ways that meet data protection and other privacy requirements. The Department's Data Protection Policy sets out how compliance with its duties is achieved under the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA).

In relation to personal data breaches, the Department follows the guidelines from the Information Commissioner's Office (the ICO).

<sup>5</sup> dwp-annual-report-and-accounts-2022-to-2023

During financial year 2022/2023 the Department's Data Protection team reported 13 personal data breaches to the ICO, 2 of these were in respect of CMG (2021/22, 4). There were also 171 enquires in the form of Request for Assessment (RFAs) from ICO for the same period for the whole of the Department, of which 19 (2021/22, 28) specifically involved enquiries about CMG. This data is not collected at scheme level. The reductions in CMG incidents are due to work done to raise awareness around data breaches and the implementation of new processes.

CMS recognises the importance of protecting 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 reinforced by improvements in Management Information

### 3.2.3. The Child Maintenance Compliance and Arrears Strategy

Most of the 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.

CSA cases on the CMS system 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, CMS 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 there is insufficient evidence to trace the NRP, the debt may be written off.

For all CSA debt that has not been written off and where representation is successful, the Department proactively manage cases on CMS and act if they become non-paying.

### 3.2.4. 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 in August 2020. 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 sourced reports from the system to address this issue and an adjustment of £405k is shown in the Receipts and Payments Statement (6) and the Statement of Balances (7) below, alongside an explanation of the estimation process in Note 8.3 to the account.

### 3.2.5. Detection of fraud and error

The Department has in place controls to prevent and detect fraud and error by child maintenance staff and all instances identified are referred to line managers and dealt with appropriately. 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 several 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 potentially inappropriate activity within those systems. The Department always investigates such cases and prosecutes as appropriate. It isn't possible to ascribe a robust estimate specific to child maintenance fraud as such investigations might uncover activities which go beyond fraud in the context of child maintenance.

In terms of error, procedures are in place to support clients who dispute the information we hold, and they can challenge decisions made on Legacy Schemes. We have already noted in 3.2.1 that historic levels of error continue to impact on the opinion of the Comptroller and Auditor General.

### 3.2.6. Management Information System replacement

All cases are now hosted on the CMS 2012 IT system and accounting data is sourced from a General Ledger which holds summary level information, with detailed records held in a supporting Management Information System.

A new CMS data and analytics service, Children Analytical Data Service (ChADS), was initiated in 2019/20. A parallel run against the existing finance reporting capability was undertaken during the final 3 months of 2021/22 financial year and extensive assurance undertaken to confirm that all data had been accurately transferred and reconciled to the summary General Ledger totals before live feeds were switched off and the previous system decommissioned in January 2023.

This is the first year the new ChADS system has been used as the basis for accounts preparation.

The Department is already seeing a range of benefits, including:

- Enhanced data visualisation and analysis capability,
- Significant improvements and efficiencies in the provision of data: a reduction in system response times, and a reduction in manual effort / handling,
- Provision of a large CMS data repository, which will be exploited to rapidly develop new end user products, and
- The ability to replace and decommission CMS's existing, more costly MI solution.

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

### 4.1. 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 2023 under the Government Resources and Accounts Act 2000. The financial statements comprise the Receipts and Payments Statement, the Statement of Balances, and the related notes 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 Accounts Direction issued by HM Treasury under the Government Resources and Accounts Act 2000.

In my opinion:

- because of the significant matters discussed in the *Basis for 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 2023 and its receipts and payments for the year then ended; and
- 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 matter described in the *Basis for qualified opinion on regularity as a result of transactions not conforming with legislation* section of my certificate, in all material respects, 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.

### Basis for opinions

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 Client Funds 1993 and 2003 Child Maintenance Schemes Account and 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 opinion.



## **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 £196 million as at 31 March 2023 as 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 introduce 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 page 21.

## **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 £29.7 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.

As 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.

## **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the Client Funds 1993 and 2003 Child Maintenance Schemes 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 Funds 1993 and 2003 Child Maintenance Schemes' (the Client Funds) 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, Management Commentary, Statement of Accounting Officer's Responsibilities and Governance Statement. 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.

- As described in the *Basis for adverse opinion* section of my certificate, I was unable to satisfy myself concerning the total outstanding maintenance arrears balance of £196 million as at 31 March 2023 as disclosed in note 8.4 and all of the related receipts and payments in these accounts relating to this balance. I have concluded that where the other information refers to the total outstanding maintenance arrears balance or related receipt and payments, it may be materially misstated for the same reason.

## **Matters on which I report by exception**

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

- Adequate accounting records have not been kept by the Department 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 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 within the Department 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 Annual Report are properly presented in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder; and
- assessing the Client Funds 1993 and 2003 Child Maintenance Schemes Account 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.

### **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 Client Funds 1993 and 2003 Child Maintenance Schemes Account and Department's accounting policies.
- inquired of management, Government Internal Audit Agency (GIAA) and those charged with governance, including obtaining and reviewing supporting documentation relating to the Client Funds 1993 and 2003 Child Maintenance Schemes Account and Department's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations;
  - 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 Funds 1993 and 2003 Child Maintenance Schemes Account and Department's controls relating to the Client Funds 1993 and 2003 Child Maintenance Schemes Account compliance with Managing Public Money, the HM Treasury Accounts Direction issued under the Government Resources and Accounts Act 2000 and other relevant legislation relating to Child Support and Maintenance.
- inquired of management, Government Internal Audit Agency (GIAA), and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team 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 Client Funds 1993 and 2003 Child Maintenance Schemes Account for fraud and identified the greatest potential for fraud in the following areas: management's estimate of cash and the posting of unusual journals. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Client Funds 1993 and 2003 Child Maintenance Schemes Account framework of authority as well as other legal and regulatory frameworks in which the Client Funds 1993 and 2003 Child Maintenance Schemes Account operates, focusing 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 Client Funds 1993 and 2003 Child Maintenance Schemes Account. The key laws and regulations I considered in this context included Managing Public Money, the HM Treasury Accounts Direction issued under the Government Resources and Accounts Act 2000 and other relevant legislation relating to Child Support and Maintenance.

I considered 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.

### **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 and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the 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;
- I reviewed 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, I understood and assessed the impact of historic maintenance assessments on the regularity of transactions;
- I assessed the impact of historic incorrect maintenance assessment and arrears adjustment errors on the valuation of the arrears balance; and
- I performed 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](http://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 income and expenditure 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 I identify during my audit.

**Gareth Davies**  
**Comptroller and Auditor General**

**Date: 29 November 2023**

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

# 5. Report of 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 historic 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.

## Key findings

**3 The Department for Work and Pensions (the Department) did not manage 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.** This has led to inaccurate historic maintenance assessments and errors in arrears balances that support balances and transactions in the Account. As a result I have modified my opinion on whether the account is properly presented and whether the transactions and balances in the account are regular.

**4 I have issued an adverse opinion as the £196 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 8 to 10).

**5 I have qualified my regularity opinion due to inaccurate historic maintenance assessments that affect receipts and payments.** Where assessment 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 my audit since the inception of these schemes. The Department has not, and has no plans to, review and correct 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 11 to 14).

**6 The Department has reduced the arrears balance to £196 million as at 31 March 2023 from £245 million as at 31 March 2022, a reduction of £49 million.** The £49 million reduction in 2022-23 includes £22 million written off

as uncollectable and £4m of adjustments. The remaining reduction in arrears is made up of £22 million of arrears collected to be paid onto parents with care (paragraphs 15 and 16).

**7 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.

### **Adverse properly presents opinion**

8 Under 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 failed 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 £196 million as at 31 March 2023 is the recorded remaining total of outstanding maintenance arrears on 1993 and 2003 scheme cases since the Child Support Agency was established in 1993.

9 As the statutory external auditor, I am required to give an opinion on whether the Account, including the outstanding maintenance arrears balance as at 31 March 2023, 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 2023. 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 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.

10 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**

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

12 All receipts and payments reported in 2022-23 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.

13 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.

14 The value of receipts in the Account has fallen from £30 million in 2021-22 to £22 million in 2022-23, 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.

#### **The future of the 1993 and 2003 schemes**

15 The Department is using its powers 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. During 2022-23, £22 million of unpaid maintenance arrears was collected from non-resident parents with cases under the 1993 and 2003 schemes (£30 million during 2021-22). At 31 March 2023, there remains 42,500 1993 and 2003 Scheme cases not yet closed and I expect it to take many years to collect maintenance due.

16 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.

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

**Date: 29 November 2023**

## 6. Receipts and Payments Statement for the year ended 31 March 2023

	Notes	2022/23	2021/22
		£000's	£000's
<b>Total Receipts</b>	8.2	<b>22,338</b>	<b>29,673</b>
<b>Payments to:</b>			
Parents with care		22,137	29,470
Secretary of State		308	420
<b>Total Payments</b>	8.2	<b>22,445</b>	<b>29,890</b>
<b>Net receipts/(payments)</b>		<b>(107)</b>	<b>(217)</b>
<b>Balance as at 1 April</b>		<b>512</b>	<b>729</b>
<b>Balance as at 31 March</b>	8.3	<b>405</b>	<b>512</b>



## 7. Statement of Balances as at 31 March 2023

	Notes	31 March 2023	31 March 2022
		£000's	£000's
<b>Opening balance</b>		<b>512</b>	<b>729</b>
Movement in year		(107)	(217)
<b>Closing balance</b>	8.3	<b>405</b>	<b>512</b>

**Peter Schofield**  
Principal Accounting Officer

**Date: 27 November 2023**

## 8. Notes to the account for the year ended 31 March 2023

### 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 accrual's 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 2022/23 these relate to maintenance arrears only.

The receipts quoted in the Receipts and Payments Statement (6) differ from the total receipts shown in the movements in the Outstanding Maintenance Arrears note (8.4). This is principally due to timing differences.

Most 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. Until receipts are allocated, the Department 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, Statement of balances.

Receipts have reduced in year by £7.4m (24.9%) to £22.3m. As the CSA caseload is now arrears only, and the Compliance and Arrears Strategy referred to on Page 8 is substantially complete, this decline is expected to continue, but at a lower rate as cases become fully paid, part paid or written off.

Payments to the Secretary of State relate to a receipt which cannot be identified to a case because the reference number provided by the client is either missing or incorrect. Whilst every effort is made to identify and allocate such receipts correctly, after 12 months has elapsed and all avenues have been exhausted to identify the correct PWC, these funds are transferred to HM Treasury. The value of this in 2022/23 was £0.3m.

### 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, the Department is 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 2023, the CMS bank account balance was £14.1m. Of this balance, £10.6 million has been identified as attributable to the CMS 2012 scheme, £0.1 million to the 1993 and 2003 schemes, and £3.4 million cannot be determined. This balance has been apportioned based on receipts actually allocated to each of the schemes during the 2022/23 reporting year and 92% (£3.1m) has been included in the CMS 2012 scheme receipts and balance, with the remaining 8% (£0.3 million) included within the 1993 and 2003 scheme accounts.

The cash balance included in the 1993 and 2003 scheme accounts of £0.4m, although held in the CMS bank account, is made up of £0.1 million which has been directly attributed and £0.3 million apportioned based on annual receipts. This amount is also disclosed in the Statement of Balances 7.

### 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	Notes	31 March 2023	31 March 2022
		£000's	£000's
Outstanding maintenance arrears at start of year		244,695	310,007
Adjustments in Year	8.4.1	(4,094)	(5,557)
Write Off	8.4.2	(22,487)	(29,864)
Maintenance Received in the year	8.4.3	(22,444)	(29,891)
<b>Outstanding maintenance arrears at year end</b>	<b>8.4.4</b>	<b>195,670</b>	<b>244,695</b>

#### 8.4.1. Adjustments in year

This includes outstanding maintenance transferred to and from the Northern Ireland Child Maintenance Service, and adjustments where the liability has been reduced, for example, because of a direct payment between parties which is offset against the maintenance due. In 2022/23 these adjustments reduced outstanding arrears by £4.1 million (2021/22, £5.6 million) in line with reducing arrears balances.

### **8.4.2. Write Off**

The Department 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 PWC. The regulations also allow child maintenance arrears to be written off in certain explicit circumstances for example where the PWC tells the Department that they do not want the arrears to be collected or the NRP has died. If a NRP dies and there are arrears of child maintenance outstanding, the CMG can make a claim for those arrears against the estate of a deceased NRP, where it is appropriate to do so.

In addition, the Department has adjusted the value of arrears through the representation process under powers introduced as part of the Compliance and Arrears Strategy referred to on page 8, with £22.5m being written off in 2022/23, (2021/22, £29.9 million).

### **8.4.3. Maintenance received during the year**

This relates to amounts received from NRP's 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 (6) and the receipts in Note 8.4 The total value of receipts allocated to cases in 2022/23 was £22.4 million (2021/22, £29.9 million) which reflects the declining arrears balances.

### **8.4.4. Outstanding maintenance arrears as at 31 March 2023**

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

## **8.5. 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.







