



Department
for Work &
Pensions

Client Funds Account 2022/23

2012 Child Maintenance Scheme



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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 Accounts¹. 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 2012 statutory scheme, with the 1993 and 2003 statutory schemes being reported in a separate publication. The Comptroller and Auditor General provides separate opinions in the audit certificate within each publication.

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

1. Management Commentary

1.1. Background

Both parents are responsible for the costs of raising their children, even if they do not see them. The Department provides tools and support for parents to set up an arrangement that works for them and they may make their own private family-based arrangement (FBA) with little, or no government help. A child maintenance calculator is available online to estimate what might be a reasonable amount to pay. An FBA does not necessarily need to involve the exchange of money and can include things such as sharing care or covering certain costs like school uniforms – whatever works for the individual family circumstances.

The Department also recognises that not all parents are able to come to such collaborative arrangements and may need extra help. The CMS provides the statutory child maintenance scheme for parents who are unable to work together or where the absent parent will not meet their responsibility to pay maintenance for their children voluntarily.

The Department is also implementing (in England) a programme to reduce parental conflict, integrating evidence-based interventions into local services to support disadvantaged and workless families through the Reducing Parental Conflict Programme². Whilst not part of the CMS portfolio, the outcomes from the programme will help support CMS's objectives.

Before applying to the statutory child maintenance scheme, separated parents are required to access 'Get Help Arranging Child Maintenance' (GHACM) through GOV.UK. GHACM, ensures parents are given impartial information on the different maintenance options available and support to help them put an arrangement in place. There is a telephony service to support those parents unable to use online services. A £20 application fee applies to CMS applications, unless the applicant is a victim of domestic abuse or aged under 19, to ensure the most vulnerable do not face a barrier to accessing the scheme.

Within the statutory scheme, the CMS operate two service types: Direct Pay and Collect and Pay. For the Direct Pay service, the CMS calculates the amount of child maintenance that a paying parent (PP) must pay, and the case is managed on the CMS system, but parents must agree between themselves how the money will be paid. The CMS provides the calculation, and no further use of the service is required, unless either parent are reporting a relevant change of circumstances such as an increase or decrease in income. CMS review the maintenance calculation every year to ensure the amount of maintenance assessed is correct. Either parent can request to change the service type to Direct Pay, however the CMS has the right to refuse the PP's request where their payment history suggests they are unlikely to pay.

For the Collect and Pay service, the CMS calculates the amount of child maintenance, then collects the payment from the PP and pays it to the receiving parent (RP). Clients must pay fees for using the Collect and Pay Service. The PP must pay 20% on top of the maintenance amount due, whilst the RP has 4% deducted off the maintenance amount. Collect and Pay is used in circumstances where the PP has failed to pay maintenance or has indicated that they are unlikely or unwilling to pay.

Receipts and Payments reported in these accounts relate only to Collect and Pay cases. Direct Pay Cases are not included as CMS is not involved as parents arrange payments themselves.

Child maintenance has undergone major reform in the last decade with the creation of the CMS and the closure of the CSA. This has ended the 'default' nature of the old service, with collaboration between

² <https://www.gov.uk/government/collections/reducing-parental-conflict-programme-and-resources>

separated parents at the centre of the reforms, enabling delivery of an effective, efficient statutory scheme.

Unpaid maintenance for cases on the 1993 and 2003 schemes is now all housed on the 2012 computer system allowing the CMS to focus efforts on supporting those parents most in need and collecting money that will benefit today's children. Under the CMS, the Department has stronger collection and enforcement powers – for example, it can apply to the courts to disqualify non-compliant parents from holding a UK passport. This has contributed to the collection of arrears where other enforcement actions have been exhausted and demonstrates that the CMS will take a strong stance against persistent non-compliance.

In March 2022 National Audit Office (NAO) published their report on Child Maintenance (HC 1139 Session 2021-22)³. They found that the Department had improved value for money in its management of the service and had significantly improved its accuracy and collection rates. They also noted several areas with potential for further improvement, including tackling inappropriate barriers that prevented families using the service, improving the effectiveness of arrangements, and reviewing its write-off strategy for Collect and Pay unpaid child maintenance arrears. The Department continues to engage with the NAO on the steps it is taking to address the issues raised.

1.2. Service Modernisation and Improvement

CMS has shifted its focus to look at how it can deliver services with increasing effectiveness and efficiency. The Modernisation programme began with a shift in service offering, with a view to optimising the use of digital channels and self-service by our clients.

It is now in year three of a five-year programme of change to explore new and more innovative ways of delivering even better service to our customers; delivering a more modern, caring service, ensuring we keep children at the heart of what we do.

Like many public sector organisations, the Department is focused on operating more efficiently while reducing costs to the taxpayer. The Modernisation programme has already increased the choices for customers to make contact through digital routes whilst ensuring assistance is provided to help vulnerable and non-digital customers through the channel of their choice.

Changes made to online services including 'My Child Maintenance Case' and 'Apply Online' increase the functionality available to our customers so they can manage their child maintenance arrangements, reporting changes, receiving updates on progress and making card payments, in a way that's more convenient and at a time that suits.

Legislative changes have been made to enable the digitalisation and simplification of customer letters and the strategic policy team are considering further changes to improve CMS processes.

1.3. Performance during 2022/23

Caseload

The CMS caseload at 31 March 2023 including both the Collect and Pay and the Direct Pay services was 655,500 (31 March 2022, 588,700). This was an increase of 11% since 31 March 2022 and includes cases that closed on the old CSA schemes where those parents subsequently made applications to CMS.

³ <https://www.nao.org.uk/wp-content/uploads/2022/03/Child-Maintenance.pdf>

Of the Collect and Pay caseload, 65% (2021/22, 63%) of case groups were contributing towards their current liability. This increase in those paying something towards their maintenance is positive in the context of cost of living crisis which could impact on some PP's ability to pay.

At 31 March 2023, 905,000 children were covered by the CMS: 572,200 through Direct Pay arrangements and 315,300 by arrangements through the Collect and Pay Service. Cases covering 17,500 children had not been assigned as parents were considering which service to use or were in the process of changing service. If payments are not being made by parents using Direct Pay, the RP can ask the CMS to step in, the case is changed to Collect and Pay, and fees are charged.

As at 31 March 2023, 63% of PP's were using Direct Pay and 35% the Collect and Pay Service; 2% of new applications, were still to be assigned.

In the last year, the Department estimates that £1,142.9 million (2021/22, £1,031.4 million) was paid between parents. These figures include both funds paid via the Department and where Direct Payments are made to the RP by the PP. This estimate assumes that Direct Pay payments due are paid in full and on time by the PP. We recognise this might not be the case but, as noted in Direct Pay below, the client may change service type if the arrangement is not working.

The totals comprise:

- £907.9 million through Direct Pay (2021/22, £815.6 million) and,
- £235.0 million through Collect and Pay (2021/22, £215.8 million).

Even when maintenance is arranged through the Collect and Pay service, there can be occasions where the PP makes payments directly to the RP and not through the CMS. Also, either parent can request to change the service type to Direct Pay, however the CMS has the right to refuse the PP's request where their payment history suggests they are unlikely to pay. Additional information can be found in Note 7.2.

Since the start of the CMS 2012 scheme, the Department estimates that £6,352.7 million (31 March 2022, £5,209.8 million) has been paid between parents.

Direct Pay

While payments made through Direct Pay do not flow through the Client Funds bank account, they are a key part of the reforms.

Parents who choose Direct Pay are advised to keep a record of payments in case there are problems. Where payments due under Direct Pay are reported as missed, both clients are asked to provide evidence of the missed payment to the CMS. In cases where it is deemed the PP has not paid or is unlikely to pay, the case may be changed to Collect and Pay where enforcement tools are available to re-establish compliance and recover any outstanding unpaid maintenance, including any accumulated while the case was classed as Direct Pay. Unless advised otherwise, the Department assumes Direct Pay payments due are paid in full, and on time, by the PP.

Collect and Pay

Receipts and payment of child maintenance

During 2022/23, 2.4 million (2021/22, 2.4 million) individual receipts were received totalling £204.2 million (2021/22, £193.1 million) and 2.4 million (2021/22, 2.3 million) individual payments were made to RP's with a total value of £196.7 million (2021/22, £184.2 million). All receipts and payments are made electronically. The total value of receipts and payments in 2022/23 was higher than in 2021/22 and the number of cases also increased.

Overall, in 2022/23, less funds were paid out than were received, due to timing differences and due to the value of refunds to Employers and PP's. Maintenance monies received are paid to RP's as quickly

as possible, subject to normal banking clearance cycles, if a method of payment has been supplied by the RP. There are occasions where funds are pending allocation to a case or have been received in advance of when they are due. This led to the CMS holding a cash balance at 31 March 2023 of £13.7 million, after adjusting for our estimate of receipts due to legacy schemes referred to in Note 7.2 to the account, equating to 5% of the funds received during the year (31 March 2022, £12.3 million, 5%).

During the 2021/22 audit a receipt was identified that had not subsequently paid out to the RP. 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. A series of system enhancements are being implemented to progress these receipts appropriately and impacted clients contacted. This work is expected to be completed by December 2023.

Unpaid maintenance

In addition to reporting the receipts and payments of child maintenance, the Department is required to report on amounts that PP's owe to RP's. This totalled £548.6 million at 31 March 2023 (31 March 2022, £474.3 million).

Included in the unpaid maintenance balances is an element which has not yet been requested from the PP. This occurs because there is a short period between the date of the claim and the first payment being scheduled for payment. At 31 March 2023 this was £5.4 million (31 March 2022, £5.2 million)⁴.

When a payment is missed, the CMS contacts the PP 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 PP is using the Collect and Pay service, this will happen automatically. If the parents are paying child maintenance using Direct Pay, the RP can request that the CMS act. The CMS can collect unpaid child maintenance in several ways. This includes:

- Taking money from the PP's earnings through a deduction from earnings order/request. The CMS will tell the PP'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 PP is in receipt of benefit payments.
- Taking money directly from the PP's bank or building society account by deduction order, including from Joint, Business and Partner accounts linked to the PP.
- Taking the PP 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 PP'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 PP can pay but is refusing to do so.

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

In addition, referrals are made to the Financial Investigations Unit to check that the right amount of child maintenance is being paid. These investigations can be criminal investigations to gather evidence to help decide if a parent can be charged using the Crown Prosecution Service. Investigations may also be carried out into why deduction from earning orders are not being successful in collecting child

⁴ Table 2 refers.

maintenance, and into complex earners who are parents with multiple income streams, company directors and the self-employed. In these cases, the parent may have some control over the way in which their income is paid and the amount of child maintenance they are meant to pay may not reflect the parent's true income.

Collectability

As the level of reported arrears continues to increase, the Department has considered the collectability of all unpaid maintenance. The Department continues to target unpaid maintenance of all ages and we continue to see a reduction in unpaid maintenance arising in previous years.

Table 1 Analysis of unpaid maintenance by year they originate:	As at 31 March 2023 (£m)	As at 31 March 2022 (£m)
2013/14	0.5	0.6
2014/15	4.1	4.5
2015/16	10.4	11.7
2016/17	24.1	27.4
2017/18	43.8	50.0
2018/19	62.0	71.8
2019/20	76.7	89.6
2020/21	76.2	91.3
2021/22	104.8	127.4
2022/23	146.0	
Total (see Note: 7.4)	548.6	474.3

The CMS moves cases between different teams in the business based on a PP's compliance in making payments and cases are moved into enforcement and more reliable methods of payment such as deductions from earnings orders are promoted where appropriate.

Table 2			As at 31 March 2022 restated (£m)		As at 31 March 2022 published (£m)	
	£m	%	£m	%	£m	%
Unpaid Maintenance Categories	£m	%	£m	%	£m	%
Not due ⁵	5.4	1.0	5.2	1.1	4.0	0.9
Scheduled and paying ⁶	375.1	68.4	346.1	72.9	174.5	36.8
Enforcement	140.2	25.6	93.0	19.6	261.6	55.1
Surveillance	27.7	5.0	29.9	6.3	26.1	5.5
Pending allocation to a classification	0.2	0.0	0.1	0.1	8.1	1.7
	548.6	100.0	474.3	100.0	474.3	100.0

Table 2 analyses unpaid maintenance into the categories CMS use when managing cases. Data previously published for 31 March 2022 has been restated. This analysis is now sourced from the new CMS data and analytics service (see Page 13, Management Information). During testing and assurance of the new service it was identified that some cases where the CMS were trying to collect maintenance had been incorrectly classified as in Enforcement. This has been corrected.

Not all parents are fully compliant and as a result, unpaid maintenance balances are growing. To address this, 25.6% of the amount outstanding is being pursued through enforcement work and 5.0% is in surveillance (where a Paying Parent is currently unable to pay, and enforcement action would not be appropriate at this time). The Department are actively collecting 68.4% of scheduled payments.

The Department's ability to monitor changes in the life circumstances of our clients through new benefit claims or new employment details, means we have more opportunity than the private sector to establish or enforce compliance through deductions from benefits and deductions from earnings. The Department is achieving compliance now from a significant number of PP's who have never paid before.

Since March 2022 there has been an increase from 63% to 65%, in those paying anything towards their maintenance however the percentage of parents paying over 90% of their maintenance due for the quarter ending March 2023 fell from 43% to 41%. In the quarter ended March 2023, the most prevalent method of payment was through deduction from benefits, with 34% of PP's making payment this way.

In addition, the Department has significant enforcement powers which are not available in other sectors e.g., order for sale of property, confiscation of driving licenses and passports, which can be utilised when necessary. The most severe also act as a significant deterrent to non-payment.

After 12 months in enforcement and despite these powers, there are some cases which remain non-paying. System changes are being implemented to ring-fence these cases to determine if there is evidence to support ongoing enforcement action and they are being monitored to inform discussions with Ministers and Policy on their treatment. Currently the Department does not intend to actively manage such cases unless new intelligence is received to support recommencement of enforcement action.

CMS has continued to make use of write off powers granted as part of Write off and Part Payment legislation introduced in 2010, more information can be found in Note 7.4.2. Although the debt is not ultimately collected in these cases, the Department does not view this as uncollectable because a decision has been taken not to pursue it. During 2022/23, £10.1m has been written off against our

⁵ Not due relates to liabilities that have been charged where the client is not yet due to pay.

⁶ Includes non-compliant cases that have not yet progressed to enforcement.

estimate of £11.2m reported in the 2021/22 Accounts. Our best estimate is that we will write off in the region of £11.7m in 2023/24.

Table 3	
Unpaid maintenance write off in 2022/23	
Unpaid Maintenance at 31 March 2022 (£m)	474.3
Unpaid Maintenance written off during 2022/23 (£m)	10.1
% Unpaid maintenance written off	2.1%
Unpaid maintenance at 31 March 2023 (£m)	
Estimated unpaid maintenance write off 2023/24 (£m)	11.7

Statutory Child Maintenance Scheme costs, fees and charges

Non-child maintenance receipts of £52.9 million collected during 2022/23 (2021/22, £49.3 million) related mainly to application fees and collection and enforcement charges, which are paid to the Secretary of State. The administrative cost to the CMS of collecting these fees is reported as part of the CMS costs within the Department for Work and Pensions Resource Accounts.

Assessment accuracy

Assessment accuracy compares the aggregate weekly value of correct and incorrect child maintenance calculations to determine the percentage of cases that have been correctly assessed.

The 2012 system has a high level of automation, using direct interfaces with HMRC and the Department’s benefit systems to establish parental income, thus increasing automation of the maintenance calculation and reducing the need for manual caseworker intervention.

Automation has a positive impact on assessment accuracy and the volume of automated transactions has risen slightly to 76.3% (2021/22, 75.3%). In addition to planned improvements under the Transformation programme, our response to the pandemic accelerated the shift to digital channels, allowing clients to report changes in their circumstances online.

The Department’s Quality Assurance Team has reported that the automated calculations they checked were free from error and when these automated decisions are considered, reported accuracy has remained stable at 99.4% (2021/22, 99.4%).

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 2012 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 2012 statutory scheme in the form and on the basis set out in the 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
- 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 CMS, as CMS is an intrinsic part of the Department. This statement covers topics which are applicable to the CMS operating within the Department and significant control challenges identified in relation to child maintenance⁷.

In December 2012, the Department launched the 2012 statutory child maintenance scheme, delivered by the CMS and by 31 December 2018 all cases on the existing 1993 and 2003 schemes had their liability ended. As a result, parents had to choose between making their own, family-based arrangement, or making an application to the CMS where a family-based arrangement is not possible. Outstanding arrears balances have moved from 1993 and 2003 computer systems to the CMS 2012 computer system. These arrears continue to relate to, and will be reported in, the Client Funds Account for the 1993 and 2003 schemes.

3.2. Areas for Continuous Improvement: 2012 scheme

The Department aims to create a modern accessible service, where customers have a greater choice of when and how to contact us through multiple channels ('digital first'), allowing clients to complete simpler tasks themselves. There will also be more system automation, freeing up caseworkers to focus on customer service, resolving issues or making payments faster.

System upgrades

System and process changes will always carry a small level of risk even after extensive testing.

System changes are introduced on a regular basis throughout the year to deliver targeted improvements in functionality. These are either already planned as part of the multi-year Child Maintenance Service Modernisation Programme which aims to allow customers and caseworkers to manage child maintenance arrangements in an efficient and convenient way through online services, or in response to recognising an improvement such as enabling overpayments to be identified at the earliest opportunity.

Changes in 2022/23 include the full roll out of a new Get Help Arranging Child Maintenance online service which removed the need for a lengthy telephony call. In addition, changes have been made to increase the levels of automation and optimise screens used by Child Maintenance caseworkers to speed up information gathering and decision making.

Assessment accuracy

The Department's estimate of assessment accuracy for 2022/23 is 99.4%, which is unchanged from 2021/22.

The Department expects automation to continue to have a positive impact on accuracy as the proportion of calculations carried out by the system rises relative to the manual activity of caseworkers. Whilst the

⁷ <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2022-to-2023>

risk of manual caseworker error cannot be removed, significant efforts are being made to reduce the likelihood of error.

Better Management Information has also contributed to improving accuracy through increased transparency of the CMS 2012 system. CMS operations has implemented targeted checking regimes, developed using this improved MI. This has allowed early identification of emerging trends, allowing greater focus on getting things right first time for the client. New and improved training materials have been developed and work is also being done to embed a culture of continuous improvement.

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).

During financial year 2022/23 the Department's Data Protection team reported 13 personal data breaches to the ICO, 2 of these were in respect of CMS (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 CMS. This data is not collected at scheme level. The reductions in CMS 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.

Management Information

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.

Detection of fraud and error

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

- The Management Information and Audit Requirements team (MIART) 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 The Departments 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.

CMS 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. The level of error arising from caseworker actions is referred to in Assessment accuracy on Page 10.

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

Opinion on financial statements

I certify that I have audited the financial statements of the Client Funds 2012 Child Maintenance Scheme 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, the financial statements:

- properly present the Client Funds 2012 Child Maintenance Scheme Account's receipts, payments and balances for the year ended 31 March 2023; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, 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 2012 Child Maintenance Scheme and the Department for Work and Pensions (the Department) in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Client Funds 2012 Child Maintenance Scheme'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 2012 Child Maintenance Scheme'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, 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.

I have nothing to report in this regard.

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 2012 Child Maintenance Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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 2012 Child Maintenance Scheme'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 2012 Child Maintenance Scheme's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Client Funds 2012 Child Maintenance Scheme's controls relating to the Client Funds 2012 Child Maintenance Scheme's 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;
 - they had knowledge of any actual, suspected, or alleged fraud; and
- 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 the Client Funds 2012 Child Maintenance Scheme 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 required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Client Funds 2012 Child Maintenance Scheme's framework of authority and other legal and regulatory frameworks in which the Client Funds 2012 Child Maintenance Scheme 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 Client Funds 2012 Child Maintenance Scheme. 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.

In addition, 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 risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date: 29 November 2023

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

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

	Notes	2022/23	2021/22
		£000's	£000's
Receipts:			
Child Maintenance from Paying Parents		204,184	193,129
Fees, charges and other recoveries collected on behalf of the Secretary of State		52,937	49,277
Total Receipts	7.2	257,121	242,406
Payments to:			
Child Maintenance to Receiving Parents		196,747	184,173
Refunds to Paying Parents/employers		6,047	7,938
Fees, charges and other recoveries collected on behalf of the Secretary of State		52,937	49,277
Total Payments	7.2	255,731	241,388
Net receipts/(payments)		1,390	1,018
Balance as at 1 April		12,340	11,322
Balance as at 31 March	7.3	13,730	12,340

6. Statement of Balances as at 31 March 2023

	Notes	31 March 2023	31 March 2022
		£000's	£000's
Opening balance		12,340	11,322
Movement in year		1,390	1,018
Closing balance	7.3	13,730	12,340

Peter Schofield
Principal Accounting Officer

Date: 27 November 2023

7. Notes to the account for the year ended 31 March 2023

7.1. 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 CMS 2012 scheme. An element of these receipts and cash is estimated as described in Notes 7.2 and 7.3 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 arrear's balances during the financial year.

The account has been prepared under the historic cost convention.

7.2. Receipts and payments

Receipts from clients relate to child maintenance and also application fees and charges collected from Paying and Receiving Parents using the Collect and Pay Service. Recoveries are also obtained from PP's in respect of non-child maintenance payments, such as DNA and court costs.

The receipts quoted in the Receipts and Payments Statement (5) differ from the receipts total shown in movements on outstanding unpaid maintenance (7.4). This is principally due to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Statement.

Most receipts received in the bank account can be identified at a client level, 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 by PP's, liability not yet due and more. Until receipts are allocated, the Department is 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 further in note 7.3 Statement of balances.

In addition to payments of child maintenance, refunds and reimbursements are made to PP's and employers for overpayments of maintenance and any costs recovered from PP's and income from fees and charges are paid to the Department. Payments to the Secretary of State may also include receipts 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 RP, these funds are transferred to HM Treasury

7.3. 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, CMS 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 7.2, 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 CMS 2012 scheme accounts of £13.7 million is made up of £10.6 million which has been directly attributed, and £3.1 million apportioned based on annual receipts.

7.4. Movements in unpaid maintenance

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

Unpaid Maintenance	Notes	31 March 2023	31 March 2022
		£000's	£000's
Outstanding unpaid maintenance at start of year	7.4.1	474,256	408,516
Maintenance charged in year and other adjustments	7.4.1	285,692	263,414
Write Off	7.4.2	(10,114)	(9,682)
Maintenance received in the year	7.4.3	(201,279)	(187,992)
Outstanding unpaid maintenance at year end	7.4.4	548,555	474,256

7.4.1. Maintenance charged in year and other adjustments

This comprises assessments made on PP's during the year; outstanding maintenance arrears transferred to and from the Department for Communities in Northern Ireland. Adjustments can arise from cancelled or terminated assessments; or where the liability has been reduced, for example, because of a direct payment between parties being offset against the maintenance due. Once the initial calculation is provided to clients, they are given an opportunity to review and confirm details before a payment schedule is issued. This necessary delay means that some arrears have accumulated before the payment plan is in place, which is usually scheduled for receipt in the first 12 months.

7.4.2. Write Off

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

7.4.3. Maintenance received in the year

When a receipt is allocated to a case by the CMS 2012 system, the receipt reduces the outstanding liability of the PP immediately but does not pay out to the RP until funds are cleared. Times vary depending on the method of payment and its associated clearance cycle. The total value of maintenance receipts allocated to cases in 2022/23 was £201.3 million (2021/22, £188.0 million). The principal difference between the value of the receipts in the Receipts and Payments Statement 5 2022/23, £257.1 million (2021/22, £242.4 million) and those reported in Note 7.4 is due to the inclusion of non-child maintenance receipts, mainly fees and charges in the Receipts and Payments Statement. Also, the Receipts and Payments statement is prepared on a cash basis so there is a further timing difference between cash being received in our bank account and being allocated to a case.

7.4.4. Outstanding maintenance arrears as at 31 March 2023

This is the balance of outstanding maintenance arrears recognised by the Department, after allowing for maintenance assessments in the year and after maintenance receipts have been deducted.

7.5. 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.

