



Department
for Work &
Pensions

Client Funds Account 2023-24

1993 and 2003 Child Maintenance
Schemes



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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 appropriate, 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 1993 and 2003 statutory schemes, with the 2012 scheme being reported in a separate publication.

The Comptroller and Auditor General (C&AG) has provided his opinions on this account in the audit certificate in Section 4, with the rationale explained in Section 5.

The C&AG has concluded, as in previous years, that both the outstanding arrears owed by non-resident parents (NRPs) and the receipts and payments reported in this account, are significantly affected by historic and uncorrected errors made in original maintenance assessments and adjustments.

The Department managed a robust process for transferring CSA debt from the old scheme to the new as part of CSA case closure and continues to offer a transparent process for customers to challenge and review the value of the legacy debt, but it is accepted that there remain inaccuracies in the debt assessment due to these historic errors.

¹ DWP annual report and accounts 2023 to 2024 - GOV.UK (www.gov.uk)

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 publication². 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 Strategy³. 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 contact the NRP, else the debt was written off.

Following completion of the representation process, open CSA cases 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.

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

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

1.2. Performance during 2023-24

1.2.1. Caseload

The number of NRPs with CSA arrears continues to reduce and was 35,100 at 31 March 2024, down from 42,500 at 31 March 2023, a reduction of 17%.

Caseload at 31 March ⁴	2024	2023
	Volume	Volume
Total NRPs with CSA Arrears	35,100	42,500
Number of corresponding arrangements	43,900	52,500

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 NRPs 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 system 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 2023-24 were in relation to outstanding maintenance arrears. Total receipts during 2023-24 were 21% lower than 2022-23 at £17.6 million (2022-23: £22.3 million). Payments to parents with care were £17.6 million, a reduction of 20.4% (2022-23, £22.1 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 2024 attributed to CSA cases was £179k, equivalent to 1.0% of receipts (31 March 2023 £405k, 1.8%). Additional information can be found in Notes 8.2 and 8.3.

During the 2021/22 audit a receipt from an NRP 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. A team was established within the CMS to review affected cases, ensure that unallocated receipts were identified and to contact clients to arrange reimbursement. In addition, system enhancements have been implemented to highlight this issue in the future and to facilitate the processing of repayments. This work was completed by December 2023 and unallocated receipts have settled back to business as usual levels where timing differences occur.

⁴ Child Maintenance Service statistics - GOV.UK (www.gov.uk)

1.2.3. Outstanding arrears of child maintenance

In addition to reporting the receipts and payments of maintenance, the CMS 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 £33.3 million in year to £172.5 million at 31 March 2024, all of which is owed by NRPs to their respective PWC. A breakdown of this reduction can be found in Note 8.4.

The CMS continues to either collect outstanding maintenance payments from NRPs, 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 NRPs.

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 2024, the CMS collected £5.0 million (2022-23, £3.9 million) from NRPs with a sanctions action in process across all schemes.

1.2.5. Collectability

Following completion of the initial representation process in June 2021, all remaining cases are treated as potentially collectable, and action is taken to seek to collect the outstanding arrears. 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.

Assuming that payment trends from the previous year continue, then the Department broadly estimates that around a quarter of outstanding arrears will be collected in the next five years, half of the arrears will eventually be written-off and the remaining quarter will be collected in the longer term. This estimate assumes that parent's circumstances and payment behaviour will not change.

Peter Schofield
Principal Accounting Officer

Date: 09 December 2024

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. The accounts are prepared on a cash basis and properly present the monies flowing into and out of the Client Funds bank accounts and the balances of those accounts, to the extent that these relate to amounts assessed under the 1993 and 2003 schemes.

In preparing the account, I have complied with the 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 I have:

- observed the Client Funds Account Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- made judgements and estimates on a reasonable basis
- prepared the Account on a going concern basis
- Stated whether applicable accounts standards, as set out in the FReM, have been followed, and disclosed and explained any material departures in the accounts

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.

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.

Peter Schofield
Principal Accounting Officer

Date: 09 December 2024

3. Governance Statement

3.1. Introduction

The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2024 relate to the CMS as CMS is an intrinsic part of the Department⁵. 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 historic 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 2023-24 as all ongoing maintenance 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).

⁵ dwp-annual-report-and-accounts-2023-to-2024

During financial year 2023-24 the Department's Data Protection team reported 19 personal data breaches to the ICO, 2 of these were in respect of CMS (2022-23, 2). There were also 143 enquires in the form of Request for Assessment (RFAs) from ICO for the same period for the whole of the Department, of which 28 (2022-23, 19) specifically involved enquiries about CMS. This data is not collected at scheme level.

CMS recognises the importance of protecting client's data and have delivered security awareness and education sessions to all staff, using internal communications to reinforce the impact that incorrect data and security breaches have on 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.

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 £179k 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 CMS 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.

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.

To reduce the risk of errors arising CMS adheres to the Departmental wide ADAPT model. This is a framework for continuous improvement that covers **A**ccountability – clearly establishing responsibilities, **D**iagnosis – using information to establish cause and effect, **A**ssurance – targeting areas of high error to examine how and why, **P**roducts – providing standard products to ensure consistency and **T**raining – improving capability through feedback, coaching and mentoring.

Each service line has developed a set of quality standards detailing how to provide a quality service. Operational leaders use these service expectations to regularly review their team's performance and provide tailored 121 coaching, share supportive feedback on individual performances and if necessary, agree a course of action to support them.

This approach is supported by random sample checking to ensure entitlement decisions are correct. Any incorrectness found is corrected and the insight provided is used as learning to improve overall capability. In response to recommendations from the Public Accounts Committee and NAO, CMS has commissioned the Government Internal Audit Agency (GIAA) to conduct an independent fraud risk assessment on the service.

In terms of error, procedures are in place to support clients who dispute the information the Department hold, and they can challenge decisions made on Legacy Schemes. It is 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

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.

The development of new end user products from CMS's data and analytics solution (ChADS) has continued during the year, exploiting the datasets available and improving the information available to the business.

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

Adverse Opinion on financial statements

I certify that I have audited the financial statements of the Client Funds 1993 and 2003 Child Maintenance Scheme for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Client Funds 1993 and 2003 Child Maintenance Scheme's :

- 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 Statement of Balances as at 31 March 2024 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 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 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 £172 million as at 31 March 2024 as disclosed in note 8.4. These balances are misstated because 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 22.

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 £17.6 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.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements 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. The Department for Work and Pensions (the Department) is responsible for the management of the Client Funds 1993 and 2003 Child Maintenance Scheme. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Client Funds 1993 and 2003 Child Maintenance Scheme 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 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 but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

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 £172 million as at 31 March 2024 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 Client Funds 1993 and 2003 Child Maintenance Scheme 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 Client Funds 1993 and 2003 Child Maintenance Scheme 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;
- preparing the financial statements and Management Commentary which are in accordance with the applicable financial reporting framework; and

- assessing the Client Funds 1993 and 2003 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 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 and report 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 Scheme Account's accounting policies.
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Client Funds 1993 and 2003 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 1993 and 2003 Child Maintenance Scheme's controls relating to its compliance with the HM Treasury Accounts Direction issued under the Government Resources and Accounts Act 2000, Managing Public Money and other relevant legislation relating to Child Support and Maintenance;
- inquired of management, the Department's head of internal audit, and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Client Funds 1993 and 2003 Child Maintenance Scheme Account for fraud and identified the greatest potential for fraud in the following areas: adjustments to arrears, revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. 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 1993 and 2003 Child Maintenance Scheme Account's framework of authority and other legal and regulatory frameworks in which it 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 1993 and 2003 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 the relevance of changes to the laws and regulation on my assessment of regularity of receipts and payments and maintenance arrears.

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 Department's 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;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- 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;
- I assessed the impact of historic maintenance assessments on the regularity of transactions and addressed the risk of non-compliance of Receipts and Payments with the relevant Child Maintenance legislation;
- 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 communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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

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

Gareth Davies
Comptroller and Auditor General

Date: 10 December 2024

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

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.

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.

Adverse properly presents opinion

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 £172 million as at 31 March 2024 is the recorded remaining total of outstanding maintenance arrears on 1993 and 2003 scheme cases since the Child Support Agency was established in 1993.

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 2024, 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 2024. I consider that the outstanding maintenance arrears balance is materially misstated due to:

Incorrect maintenance assessments

The Department is unable to provide sufficient data to quantify the impact of its past incorrect maintenance assessments on the remaining arrears balance. Where the Department has made incorrect maintenance

assessments, any arrears accruing will also be at an incorrect rate. Historic estimates of the impact of incorrect assessment on arrears were material; as no specific action has been taken to correct these assessments, I consider there remains a material level of error in arrears balances as a result of historic incorrect maintenance assessments.

Incorrect adjustments to arrears balances

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

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.

I also note that in 2023-24, a material restatement of 2022-23 balances was disclosed to correct for adjustments to arrears which had been omitted from the accounts. I consider that these restated balances are also subject to the sources of error discussed above, and my adverse opinion on the outstanding maintenance arrears balance remains.

Qualified opinion on regularity

I am also required to give an opinion on whether, in all material respects, the transactions and balances within the Account have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the 'regularity' opinion). I have qualified my opinion due to material irregularity in receipts and payments.

All receipts and payments reported in 2023-24 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.

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, 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

The Department is using its powers to enforce compliance with assessments, and write off uncollectable arrears. During 2023-24, £18 million of unpaid maintenance arrears was collected from non-resident parents with cases under the 1993 and 2003 schemes, and £14 million of unpaid maintenance arrears was written off. At 31 March 2024, there remains £172 million in outstanding arrears and I expect it to take many years to collect maintenance

24 1993 and 2003 Child Maintenance Schemes

due.

As arrears balances will not be recalculated as part of case closure procedures, and the Department has not retained sufficient records to support reassessment, 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: 10 December 2024

6. Receipts and Payments Statement for the year ended 31 March 2024

	Notes	2023-24	2022-23
		£000's	£000's
Total Receipts	8.2	17,605	22,338
Payments to:			
Parents with care		17,553	22,137
Secretary of State		278	308
Total Payments	8.2	17,831	22,445
Net receipts/(payments)		(226)	(107)
Balance as at 1 April		405	512
Balance as at 31 March	8.3	179	405

7. Statement of Balances as at 31 March 2024

	Notes	31 March 2024	31 March 2023
		£000's	£000's
Opening balance		405	512
Movement in year		(226)	(107)
Closing balance	8.3	179	405

Peter Schofield
Principal Accounting Officer

Date: 09 December 2024

8. Notes to the account for the year ended 31 March 2024

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 and a statement of the balances of those bank accounts at the end of 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 NRPs by the CMS for child maintenance and due to PWCs. For 2023-24 these relate to maintenance arrears only.

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

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 CMS 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 £4.7 million (21%) to £17.6 million. As the CSA caseload is now arrears only, and the Compliance and Arrears Strategy referred to on Page 14 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 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 PWC or NRP, these funds are transferred to HM Treasury. The value of this in 2023-24 was £0.3 million.

8.3. Statement of balances

The balance at year end relates 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 8.2, the CMS 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 2024, the CMS bank account balance was £10.7 million. Of this balance, £7.6 million has been identified as attributable to the CMS 2012 scheme, £0 million to the 1993 and 2003 schemes, and £3.1 million cannot be determined. This balance has been apportioned based on receipts actually allocated to each of the schemes during the 2023-24 reporting year and 94% (£3 million) has been included in the CMS 2012 scheme receipts and balance, with the remaining 6% (£0.2 million) included within the 1993 and 2003 scheme accounts.

The cash balance included in the 1993 and 2003 scheme accounts of £179k, although held in the CMS bank account, is made up of £6k which has been directly attributed and £173k apportioned based on annual receipts. This amount is also disclosed in the Statement of Balances in Note 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 NRPs 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 2024	31 March 2023 Restated	31 March 2023
		£000s	£000s	£000s
Outstanding maintenance arrears at start of year	8.4.1	205,776	254,427	244,695
Adjustments in Year	8.4.2	(2,290)	(4,094)	(4,094)
Maintenance Correction	8.4.3	427	374	
Write Off	8.4.4	(13,592)	(22,487)	(22,487)
Maintenance received in the year	8.4.5	(17,831)	(22,444)	(22,444)
Outstanding maintenance arrears at year end	8.4.6	172,490	205,776	195,670

8.4.1 Unpaid maintenance - Prior Year Restatement

The complexity of the 93/03 scheme has led to challenges emerging in reporting the movement in the aggregate unpaid maintenance balance, with non-cash adjustments between Direct Pay and the 93/03 scheme being miscategorised. This affects the previously reported unpaid maintenance balances at year end. These are now restated to correct for this previous inaccuracy. We have also restated for maintenance received held as cash as at the year-end not yet allocated to a case. When this is allocated to a case it will reduce arrears.

The impact of correcting for this, up to 31st March 2023, is to increase the previously reported unpaid maintenance balance by £9.7m, in line with the total outstanding across each individual case.

8.4.2 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 2023-24 these adjustments reduced outstanding arrears by £2.3 million (2022-23, £4.1 million) in line with reducing arrears balances.

8.4.3 Maintenance Correction

The complexity of the 93/03 scheme has led to challenges emerging in reporting the movement in the aggregate unpaid maintenance balance, with non-cash adjustments between Direct Pay and the 93/03 scheme being miscategorised. With the year end balances being restated this correction is included to reconcile the in-year movement. CMS is collaborating with Digital colleagues to address this aggregated variance.

Maintenance correction also adjusts for cash which has been received by CMS but has not yet been allocated to a case as at the year end but will reduce arrears when it is allocated.

These corrections bring the total outstanding arrears reported as at 31 March 2023 and 31 March 2024 into line with the total of the arrears outstanding across all individual cases.

8.4.4 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 CMS 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 14, with £13.6 million being written off in 2023-24, (2022-23, £22.5 million).

8.4.5 Maintenance received during the year

This relates to amounts received from NRPs 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, CMS investigates; this will lead to a delay in the allocations process. The timing difference between receipt, assignment and allocation contributes to the difference between the value of the receipts in the Receipts and Payments Statement and the receipts in Note 8.4 The total value of receipts

allocated to cases in 2023-24 was £17.8 million (2022-23, £22.4 million) which reflects the declining arrears balances.

8.4.6 Outstanding maintenance arrears as at 31 March 2024

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.

