

# Social Fund Account 2009-2010

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

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# Social Fund Account 2009-2010

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 2 DECEMBER 2010

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scrutinises public spending  
on behalf of Parliament.

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# Contents

	Page
Foreword	2
Statement on Internal Control	5
The Certificate of the Comptroller and Auditor General	11
Report by the Comptroller and Auditor General	13
Receipts and Payments Account	19
Notes to the Account	20
Annex – Accounts Direction given by HM Treasury	28

# Foreword

## Background information

The Social Fund was established in 1987 and is controlled and managed under section 167 of the Social Security Administration Act 1992. Section 138(1) of the Social Security Contributions and Benefits Act 1992 enables payments of prescribed amounts to be made out of the Fund to meet, in prescribed circumstances, Maternity and Funeral expenses and payments of Budgeting Loans, Crisis Loans and Community Care Grants in accordance with directions given or guidance issued by the Secretary of State. Section 138(2) of the Act provides for payments to enable people who satisfy prescribed qualifying conditions to meet expenses for heating incurred or likely to be incurred during periods of cold weather.

The first phase of the Social Fund comprising Maternity and Funeral expenses came into operation on 6 April 1987. The second phase was introduced on 11 April 1988 and replaced all remaining Supplementary Benefit single payments and some urgent needs payments. Regulations were introduced in November 1988, which provided for payments from the Social Fund to be made to certain customers following a period of cold weather, enhanced by further regulations in November 1991 to include payments when cold weather is forecast. Winter Fuel Payments were introduced in 1997 to provide automatic help to pensioner households with fuel bills to pay. Legislation was introduced with effect from April 1998 that allowed the recovery of Social Fund overpayments.

Payments from the Fund are split into two broad categories, discretionary and regulated. Discretionary payments comprise Budgeting Loans, Crisis Loans and Community Care Grants and are cash limited. Regulated payments are Maternity and Funeral expenses payments, which are demand led, and Cold Weather and Winter Fuel Payments, which are paid automatically to qualifying customers.

## Categories of payments

### **Budgeting Loans**

Interest free loans may be made to customers in receipt of Income Support, Employment and Support Allowance (Income Related), Pension Credit or Jobseekers Allowance (Income Based) to help them cope with the expenditure associated with the purchase of major items or services.

### **Crisis Loans**

Interest free loans may be made to any customer, primarily to help to relieve a serious risk to health or safety of customers and their dependants.

### **Community Care Grants**

Payments may be made to promote the community care of customers qualifying for Income Support, Employment and Support Allowance (Income Related), Pension Credit or Jobseekers Allowance (Income Based). The main purpose is to help vulnerable groups lead an independent life in the community rather than go into institutional or residential care, or help such people re-establish themselves in the community following a period of such care; ease exceptional pressures on families; and to help with certain urgent travelling expenses.

### **Sure Start Maternity Grants**

The Sure Start Maternity Grant is available to families receiving Income Support, Employment and Support Allowance (Income Related), Jobseekers Allowance (Income Based), Working Tax Credit where a disability or a severe disability element is included in the award, Pension Credit, and Child Tax Credit at a rate higher than the family element for each child expected, born, the subject of a parental order or a residence order, (in certain circumstances), on or after 11 June 2000. Initially worth £200, the Grant is worth £500 in respect of babies due, born, adopted or subject of a parental order on or after 16 June 2002.

### **Funeral expenses payments**

Payments to help with the cost of a funeral may be made to customers or their partners, who are in receipt of Income Support, Employment and Support Allowance (Income Related), Jobseekers Allowance (Income Based), Pension Credit, Working Tax Credit where a disability or severe disability element is included in the award, Child Tax Credit at a rate higher than the family element, Housing Benefit or Council Tax Benefit. Payments are normally recoverable from the estate of the deceased, even if the estate is not fully sufficient to permit full recovery.

### **Cold Weather Payments**

Payable to customers receiving Pension Credit, Income Support, Employment and Support Allowance (Income Related), or income based Jobseekers Allowance who also have a disability, or a pensioner premium, or who have a disabled child or a child less than 5 years of age. Customers receive payments of £25.00 (maintained at a level of £25.00 for the second consecutive year) for each period of 7 consecutive days during which the average temperature was or was forecast to be 0 degrees Celsius or below in areas where customers live.

### **Winter Fuel Payments**

The Winter Fuel Payments scheme was introduced by the Secretary of State by Regulations made in exercise of powers conferred by section 138(2) of the Social Security Contributions and Benefits Act 1992. These regulations, which came into force on 16 January 1998, allow for payments to pensioner households, where a qualifying benefit was payable to one or more persons in that household for at least one day in the qualifying week. The qualifying week is usually in September. (In 2009-2010 the qualifying period was week commencing 21 September).

The European Court of Justice announced on 16 December 1999 that the Winter Fuel Payments scheme discriminated against men between the ages of 60 and 64. Following the judgment, the Government decided that help through Winter Fuel Payments would be extended to all people aged 60 or over, who are ordinarily resident in Great Britain or Northern Ireland, regardless of whether they are receiving a Social Security Benefit.

The total amount payable to a person aged 60-79 years living alone in their own home is £250 (£125 if they shared a home with another eligible person aged 60-79). For people aged 80 or over the amount payable was £400 (£200 if they shared a home with another eligible person aged 80 or over). Where there is only one person in the household who is entitled, the full Winter Fuel Payment is made. If there is another eligible person in the household who qualifies, the lower level of £125 is made to the eligible person aged 60-79 and £275 is payable to the eligible person aged over 80.

### **Financial performance**

Section 78(1) of the Social Security Administration Act 1992 provides that an award from the Social Fund, which is repayable (Budgeting Loans and Crisis Loans), shall be recoverable by the Secretary of State. The Social Fund is financed by these recoveries and by payments made by the Secretary of State from RfR 3 of the Department's Vote. In addition, section 78(4) of the Act provides that payments to meet funeral expenses may be recovered from the estate of the deceased.

During 2009-2010 £715 million of recoverable loans were issued, which added to the debt owed to the Fund. Recoveries of loans paid back into the Fund during the year were £586 million, against original forecast recoveries of £583 million.

During 2009-2010 £48 million Funeral Expenses payments were issued, £0.3 million was recovered this year and £87 million was written off the total Funeral Expenses debt as there was no estate to recover from.

The Social Fund closing bank balance will vary from year to year. The policy intention is to maintain a minimum balance which will provide working capital to contribute to, for example, an unexpected surge in Cold Weather payments late in the financial year beyond the date for the Spring Supplementary Estimate. The value of this minimum balance was set at £25 million with the approval of HM Treasury.

The Social Fund is maintained by monies voted by Parliament under RfR 3 of the Department's Vote. Expenditure is estimated at the start of the year and, taking into account forecast recoveries, sufficient funds are transferred from RfR 3 to the Fund to meet the Department's expected liabilities to the paying agents. Adjustments are made to the balances due to and from the paying agents during the normal course of business.

The standing balance on the account has increased by £20.7 million. Any in year overfunding of the discretionary payments is adjusted for in the following year.

### Secretary of State's report

The Secretary of State is required by section 167(5) and (6) of the Social Security Administration Act 1992 to prepare an annual report on the Social Fund and to lay a copy of the report before each House of Parliament. The latest annual report (Command 7483) was presented to Parliament in July 2009 and gives a detailed account of the activities and provisional expenditure on the Social Fund for 2009-2010.

### Basis of preparation of accounts

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

### Audit arrangements

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

### Statement of Accounting Officer's responsibilities

The Treasury has appointed me, the Chief Executive of Jobcentre Plus, as the Accounting Officer for the Social Fund. The relevant responsibilities of the Accounting Officer, including my responsibility for the propriety and regularity of the public finances for which I am answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Managing Public Money*.

*Darra Singh*  
Accounting Officer

16 November 2010

## Statement on Internal Control 1 April 2009 – 31 March 2010

### Scope of responsibility

- 1 As Accounting Officer for the Social Fund, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Social Fund, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.
- 2 Since the agency took over the responsibility of Accounting Officer for the Social Fund in April 2007 significant improvements in governance and control have taken place with progress in the areas of regularity and accounts production, against the challenges of significantly increased applications to the fund, and tightening budgetary control. A dedicated Social Fund Accounts team has been established which has been further expanded this year and there have been significant improvements in the processes and procedures around accounts production, culminating this year in the change in the method of accounts production to a more robust process based on a single system source.
- 3 Recognising the extent and complexity of the issues facing the Social Fund, and to further support the significant ongoing work to strengthen the Social Fund control environment, this year I have created a Social Fund Task Force, led by myself as Chief Executive. This Task Force will drive forward improvements in the controls and processes of the Social Fund, and we will continue to use this and other fora within the agency some of which are described in this statement, to identify issues and advance improvements within the Social Fund internal control environment.
- 4 As Chief Executive of Jobcentre Plus I am also responsible for the administration of Social Fund payments which are delivered within a framework of policies developed by Ministers, and the Client Groups. The Fund is mostly administered by Jobcentre Plus, an Executive Agency of the Department for Work and Pensions (DWP) and, as such, operates under its internal control environment. My Board and Management Team, in managing the totality of its activities, applies this control environment to Social Fund activities as appropriate. The only exception is that The Pension, Disability and Carers Service (PDCS) administers Winter Fuel Payments, and as such these activities are carried out within its internal control environment.
- 5 This statement incorporates an assurance provided by PDCS, to Jobcentre Plus that they had effective and efficient internal controls in place for the production of the Winter Fuel Payments paid on behalf of Jobcentre Plus.
- 6 Responsibility for Social Fund processing and delivery lies with the Jobcentre Plus Chief Operating Officer, whilst policy, change impact and improvements to the Fund fall under the remit of the Jobcentre Plus Director of the Transformation and Product Management Directorate. Both Directors are part of the Jobcentre Plus Board.
- 7 Performance of the Social Fund is reported to Parliament in the Annual Report on the Social Fund by the Secretary of State for Work and Pensions.

### The purpose of the system of internal control

- 8 The Jobcentre Plus system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's aims, objectives and policies (including Social Fund), to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The system of internal control has been in place in Jobcentre Plus for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury (HMT) guidance.

## Capacity to handle risk

- 9 The Jobcentre Plus Board considered the strategic risks to Social Fund delivery and these were reported in the Strategic Risk Register. All risks captured on the Strategic Risk Register are managed through a process of independent challenge, initially through the Jobcentre Plus Performance, Planning and Risk Committee (JPPRC), with further review being undertaken by our Risk Assurance Division (RAD) before being actively managed by the Board.
- 10 Specific arrangements have recently been developed to strengthen the management of risks covering the administration and development of the Social Fund. These include formal quarterly risk reviews by the Social Fund Management Committee. Further work will be progressed throughout the course of 2010-2011 to ensure that these arrangements are fully embedded across Social Fund business.
- 11 The Jobcentre Plus Chief Operating Officer and the Director of Transformation and Product Management have specific Social Fund accountabilities to ensure that systems are in place to effectively manage Social Fund risks, and they are required to provide an assurance as to the effectiveness of their risk management arrangements through the Letter of Assurance (LoA) process.
- 12 This approach provides a framework for ensuring that those risks relating to Social Fund activity are managed at the most appropriate level in the organisation.

## The risk and control framework

- 13 A specific Social Fund risk is included in the Strategic Risk Register. The Departmental methodology is used to identify and assess the risks and accountable risk owners who are nominated at Board Director level. Risks are rated and prioritised within agreed tolerance levels which demonstrate the Agency's risk appetite.
- 14 The system of internal control within the Social Fund is currently based on a framework of legislative duties, management information, financial regulations and a process of accountability and delegation as operated throughout Jobcentre Plus. In particular the Social Fund operates
  - regular financial and performance reporting to the Jobcentre Plus Board;
  - procedures to manage the balance on the discretionary part of the Fund through allocation of budgets to local level and by re-allocating budgets where necessary to ensure equality of access; and
- 15 A dedicated team within Finance Directorate provide oversight control over the financial management of the Social Fund and work with a range of stakeholders across the Agency, and the Department, to drive improvement activities.

## Review of effectiveness

- 16 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control has been informed by the work of the Risk Assurance Division and the executive managers within Jobcentre Plus and The Pensions Disability and Carers Service (in respect of Winter Fuel Payments) who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their annual completion and other reports. A plan to address weaknesses and ensure continuous improvement of the system is in place.
- 17 The Jobcentre Plus Corporate Governance Committee incorporates the functions and responsibilities of an audit committee for the Agency and works with the Department's Risk Assurance Division (RAD) to focus on the areas of the business at greatest risk. The Board is chaired by Kenneth Ludlam, a non-executive Director. The Corporate Governance Committee received regular updates on actions to address previously identified weaknesses with the Social Fund system of internal control. This allowed them to assess the effectiveness of mitigation actions and, where appropriate, request further work to be undertaken to strengthen the control environment.

- 18 A Social Fund Assurance Action Plan was produced for the Corporate Governance Committee to allow better management of control weaknesses identified by National Audit Office and within the previous Statement on Internal Control.
- 19 RAD provides an overall assurance over key risk areas of Jobcentre Plus performance in-year. For 2009-2010 RAD have carried out a review of the significant control challenges which led to the Social Fund account qualification by NAO and their overall assessment is Limited Assurance.
- 20 The Independent Review Service, which is independent to the Department, carries out reviews of decisions made by Social Fund caseworkers and works closely with Jobcentre Plus to improve decision making.
- 21 Jobcentre Plus Executive Board Directors, with responsibility for specific Social Fund activity, are required to comment on the effectiveness of their internal control systems and risk management procedures through the LoA process. Challenge or support to these statements is provided through the Business Controls Dashboard. This report has identified Social Fund internal control issues which the Corporate Governance Committee has taken action on during the year. The report is presented quarterly to the Jobcentre Plus Corporate Governance Committee.
- 22 A specific Social Fund Management Committee, comprising senior stakeholders, oversees the operation of the Social Fund, providing early warning of emerging risks in order to strengthen the control environment. The Social Fund Management Committee is chaired by the Director of Transformation and Product Management Directorate.
- 23 A sub - group of this meeting considers further the significant control challenges and the strategies being taken to address them, along with the potential impact of the various reforms that could affect the Social Fund. This group comprises a number of key representatives from across the Department.

## Significant Control Challenges

- 24 The volume of applications to the Social Fund, particularly for Crisis Loans, has continued to increase across the year. Material increases in applications do impact upon all aspects of the Jobcentre Plus Social Fund business and changes the overall control environment in which our internal control regime has to function.
- 25 Within the Jobcentre Plus overall control framework, systems are in place to ensure that effective and proportionate risk mitigation action is taken to address the control challenges posed by the economic downturn and the overarching risk is actively managed through the Strategic Risk Register.
- 26 Within the 2008-2009 SIC, Jobcentre Plus reported significant control challenges in relation to Document Management, a framework for an internal measure of the Monetary Value of Fraud and Error for the Social Fund, Debt Management, the Quality of Decision-Making and issues to do with Account Production.
- 27 Significant control challenges are

## Regularity

### *a Document Management*

**Issue:** The business faces a significant challenge in the storage, retention, retrieval and disposal of customer documentation. The volume of documents being sent to storage continues to increase, putting further pressure on storage capacity and also raises challenges around data protection and value for money. The ability to retrieve original documentation when requested is also a fundamental business requirement. Part of this retrieval is the NAO and RAD regularity sample request, where failure to find the documentation contributes to the SF Account Qualification.

Action: During 2009-2010, a number of actions were taken

**i Paper reduction exercise** – A paper reduction exercise was undertaken, as part of a wider Paper Reduction Programme, to destroy old Social Fund Grant files. Unfortunately insufficient controls led to the destruction of an estimated 229,000 Loan files. RAD has evaluated the lessons learned from this incident and support the framework and methodology we have put in place to manage and control future destruction exercises. Jobcentre Plus fully accepts the findings and will implement the recommendations in advance of any further destruction. Looking to the future, bulk destruction makes sound practical and economic sense and will remain a critical component of Jobcentre Plus's document management strategy.

**ii Case file retrieval** – the ability to retrieve original case files when requested remains a challenge despite a near 100 per cent retrieval performance in 2008-2009, and has now become an issue for Sure Start Maternity Grants. The new National Social Fund Performance Team has now taken on full management responsibility for case retrieval and will examine the root causes for the performance in 2009-2010. The full benefits of the national roll-out of the electronic scanning solution I expect to be realised in 2010-2011 in terms of performance and efficiency.

**iii Scanning** – the Scanning Solution is designed to both improve the efficiency of retrieval requirements for sampling by both RAD and the National Audit Office, as well as helping to stem the flow of new Social Fund Files into remote storage. This is due to be rolled out nationally in 2010 and is designed to deliver the following benefits

- removing the paper chase and vastly improving the efficiency of the audit process;
- improving the security of information;
- saving time of front line staff; and
- reduced remote storage capacity requirements and associated financial savings.

*b Quality of decision making*

Issue: Errors in decision-making continue to be identified by both the National Audit Office, and by the Risk Assurance Division's Performance Management Team, in their regularity sample selections, contributing to the Regularity Qualification on the SF Account.

Action: There are a number of strategies that are designed to continue to improve the quality of Social Fund decision making including

- the completion of the rollout of the Quality Assurance Framework (QAF) to all Benefit Delivery Centres and also to all Contact Centres delivering Social Fund awards;
- ongoing improvements to the Social Fund processes, utilising staff experience, LEAN techniques, findings from the QAF, RAD and National Audit Office sampling; {e.g.} pre-payment checks for high value Funeral Payments to prevent errors;
- the introduction of 'calibration' where QAF checkers review individual cases with the aim of ensuring consistency in approach across the country;
- the first National QAF Workshop held to again drive consistency and quality; and
- interim findings from these checks are reported to both the Social Fund Management Committee and the operational management tier. Enables visibility of progress and identifies areas to strengthen performance.

**Accounts Production Methodology**

Issue: The process of producing the SF Account had developed to become very complex, manually drawing information from a number of different systems in the absence of a single integrated system from which to extract the data required. A Lean Review looking at the end-to-end processes for the production of the account was carried out in DWP Accounting Shared Services, and endorsed by Jobcentre Plus Finance and National Audit Office, as representing a proactive plan to improve the accounting framework.

An in-principle decision to change the account production methodology to one sourcing data mainly from the Programme Accounting Computer System, (PACS), was a key outcome. This provided greater audit trails and addressed the major weakness around validation of a number of the balances.

**Action:** As the work programme was not complete, for 2009-2010 accounts were initially produced using the traditional method. This led to accounting discrepancies that were material in value and could not be explained in full. It was therefore decided to move immediately to the new accounting methodology and delay the laying of the 2009 – 2010 Social Fund White Paper Account until this restatement was completed and audited by National Audit Office. The new approach for producing the Social Fund Account, based on greater use of the PACS, has eliminated the unexplained difference. The extent of the work required to deliver this approach was significant, requiring a thorough review of six years' worth of historical accounting transactions, with adjustments made to support the appropriate restatement of prior year Social Fund White Paper Accounts.

Whilst this revised approach alleviates concerns about the integrity of the previous methodology, (which used accounting information from both the PACS and SFCS systems), there remain issues relating to the substantiation of the debtor balance that need further detailed investigation set out below.

## **Debt**

### *a Debt management*

**Issue** The key success factor on Social Fund Debt is that there is active recovery action whether from benefit payments or through the Department's Debt Management function. This will ensure that the aged nature of the debt stock is addressed, and cash recovered can be reinvested in the Fund quicker and more efficiently.

**Action** A full debt profile for the Social Fund has been established allowing examination of the debt with reference to numbers of customers, numbers of loans, loan recovery status and amount. This enables informed decisions on management action required to manage all debts actively and appropriately. A high priority is now given to this work.

We will also be better able to identify those elements of the debt stock it is appropriate to write-off. The criteria considered are age of debt, total aggregate customer debt, whether the customer is 'repeat' and overall the economic value of holding and pursuing the debts. We plan a full review of the write-off policy to ensure it is fit for purpose striking the appropriate balance between protecting public funds and value for money.

### *b Unrecorded Clerical Cases*

**Issue:** Processes for the recording of Clerical Cases onto the Social Fund Computer System (SFCS) have not been operating effectively resulting in a number of outstanding cases not recorded on the system. The absence of case details from SFCS impacts on the integrity of the overall Social Fund debt balance and the completeness of individual customer debt.

**Action:** This issue is being addressed to ensure that awards are recorded promptly on SFCS. Resource has been focused on clearing this backlog and on reducing the likelihood of future backlog issues.

## **Passported Error**

**Issue:** It has been identified that there are inadequate procedures for the recording of overpayments from recipients who no longer qualify for a Social Fund grant as a result of no longer being eligible for the underlying qualifying benefits.

Action: Whilst it has been established that the likely value of missed overpayments is not material in the context of the overall debt stock, the supporting guidance and instructions for Benefit Processors have been strengthened in order to ensure Social Fund Processors are informed of cases where qualifying benefits are fully withdrawn, and to ensure resulting referrals to Debt Management are carried out. As benefits administered by HMRC can provide entitlement to Social Fund grants, steps will be taken to similarly align processes.

### **Debt Relief Orders**

Issue: The introduction of Debt Relief Orders has given rise to a requirement to identify and track these orders to ensure related debt, recoveries and write-offs are appropriately identified and managed.

Action: Initial progress on introducing these procedures has been made but further work is required to embed the processes for gathering management information and to identify the appropriate treatment, and recording of related debt. This issue will be further progressed by the Debt Action Team, reporting to the Social Fund Task Force, which will take a lead on debt and recovery issues in relation to the Social Fund White Paper Account.

28 During the audit of this year's account a number of other challenges have emerged

**Fast Electronic Payments (FEP)** – This programme to expand the Fast Electronic Payments mechanism for the Social Fund is progressing as are plans to remove the requirement for a signature agreeing to the terms and conditions in certain circumstances. Security and identity validation has been strengthened in the scripts used by the Decision-Makers and again this should reap benefits in both footfall in Jobcentres and reducing creation, travel and storage of paper. Signatureless FEP has been in place since 14 July, paying on average 5,000 payments per week.

**Monetary loss through Fraud and Error** – To address previously identified weaknesses and bring the treatment of Social Fund closer to the treatment of other benefits an official Monetary Value of Error (MVE) was introduced from the 1 April 2008 and is now fully operational for 2009-2010. The case testing is undertaken by the Performance Management Team, within the Department's Risk Assurance Division. There are a number of both practical, and in principle, issues that need to be resolved before we can move to the position where the National Audit Office are able to place reliance on this measure. These issues are subject to further discussion, with the objective of enabling the NAO to consider the official MVE to inform their own opinion on the Social Fund from 2010 – 2011. Any cases of suspected Fraud are referred to Fraud Investigations in the same way as other benefits. Any recommendations stemming from the investigations are forwarded to the Social Fund Policy Team to consider how to further safeguard the fund.

**Crisis Loan 3rd Application** – The 2008-2009 SIC also referred to planned changes to the Secretary of State Directions in the Discretionary Social Fund, with a view to tackling abuse of Crisis Loans, and operational pressures arising from increase volumes of applications. These measures included the face-to-face customer interview on 3rd and subsequent application for a Crisis Loan. Results continue to be very positive following national rollout of this initiative.

29 Longer term reform of the Social Fund remains an objective and work will continue with Ministers and Departmental colleagues on future options.

*Darra Singh*  
Accounting Officer

16 November 2010

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

I certify that I have audited the financial statements of the Social Fund White Paper Account for the year ended 31 March 2010 under section 167(4) of the Social Security Administration Act 1992. The financial statements comprise the Receipts and Payments account, Statement of Balances and notes relating to receipts and payments and the debt position. The financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Social Security Administration Act 1992 and HM Treasury directions made thereunder. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Social Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Social Fund; and the overall presentation of the financial statements.

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

## Qualified opinion on regularity

In the year to 31 March 2010, the Social Fund paid £1,042 million in discretionary awards (which comprise Budgeting Loans, Crisis Loans and Community Care Grants), Funeral Expense Payments and Sure Start Maternity Grants, of which an estimated £106.42 million was not paid in accordance with Secretary of State directions, issued under the Social Security Administration Act 1992 and the Social Security Contributions and Benefits Act 1992. Such overpayments were, by definition, paid without appropriate authority and I have concluded that this expenditure has not been applied to the purposes intended by Parliament and does not conform to the authorities which govern it.

In my opinion, except for an estimated £106.42 million of discretionary awards, Funeral Expense Payments and Sure Start Maternity Grants that were not paid in accordance with Secretary of State directions, in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Qualified opinion on financial statements arising from limitation on audit scope

The evidence available to me was limited because the Department was unable to provide me with support for the breakdown of transactions that comprise the debt balance. As a result, I was unable to obtain sufficient appropriate audit evidence to support the existence and valuation of £1,109 million of debt reported in the notes to the financial statements.

Except for the effects of any adjustments which might have been determined to be necessary had I been able to obtain sufficient, appropriate audit evidence over debt balances, in my opinion

- the financial statements properly present the receipts and payments for the year ended 31 March 2010; and
- the financial statements have been properly prepared in accordance with the Social Security Administration Act 1992 and HM Treasury directions issued thereunder.

### Opinion on other matters

In my opinion, the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

With the exception of those areas where the Department was unable to provide me with adequate records and supporting evidence for the transactions comprising the debt balance, I have nothing to report in respect of the following matters which I report to you if, in my opinion

- I have not obtained all the information and explanations that I require for my audit; or
- Adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### Report

My report on pages 13 to 18 provides further detail of my qualified opinions on the financial statements

*Amyas CE Morse*  
Comptroller and Audit General

22 November 2010

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# Report by the Comptroller and Auditor General

## Introduction

- 1 The Department for Work and Pensions (the Department) is responsible for controlling and managing the Social Fund (the Fund) under the Social Security Administration Act 1992 and this work is performed by Jobcentre Plus (the Agency). The Social Fund White Paper Account records the payments made to customers for Budgeting Loans, Crisis Loans, Community Care Grants, Sure Start Maternity Grants and Funeral Expense Payments in accordance with Directions issued by the Secretary of State for Work and Pensions under the Social Security Contributions and Benefits Act 1992. The discretionary grants and repayable loans provide financial assistance to some of the most vulnerable in society. The same Act also provides for customers to receive Cold Weather Payments and Winter Fuel Payments in prescribed conditions.
- 2 During 2009-2010 payments of discretionary and regulatory awards totalled £4.08 billion. The Account also includes receipts of £4.1 billion including £586 million from the repayment of Budgeting and Crisis Loans.
- 3 The Social Fund White Paper Account has been qualified since 2003-04 because of substantial levels of error in the discretionary payments covering Budgeting Loans, Crisis Loans and Community Care Grants and in 2008-2009 Funeral Expense Payments.

## Audit opinion

- 4 In 2009-2010 I have again found it necessary to qualify my opinion due to material irregularities in discretionary awards and Funeral Expense Payments (**the regularity qualification**). In addition, I have also qualified my opinion on Sure Start Maternity Grants for the first time this year due to the level of error I have identified in these payments.
- 5 In addition, I have concerns around the adequacy of the evidence to support the debt balance disclosed within notes 5-8 to the account. Due to these problems, I have been obliged to limit the scope of my opinion on the debt note within the accounts (**the debt qualification**).

## Regularity qualification

- 6 The Social Fund administers five main loan and grant types in addition to Cold Weather and Winter Fuel payments. These loans and grants are split into two distinct parts;
  - a Discretionary Awards – Payments are made from a cash-limited budget and Social Fund staff must have regard to the budget when deciding whether to make a payment and how much to award. These comprise Budgeting Loans, Crisis Loans and Community Care Grants.
  - b Regulatory Awards – Payments are made by right, if a person meets the conditions. These comprise Funeral Expense Payments and Sure Start Maternity Grants.
- 7 In 2009-2010 almost six million applications for discretionary awards along with 440,000 applications for regulated Social Fund awards were processed by Jobcentre Plus resulting in 4.2 million discretionary and 295,000 regulated award payments.

## Overall estimated level of error within the Social Fund

- 8 The NAO reviewed a sample of awards from each payment stream within the Fund to determine whether payments were accurate and in accordance with the eligibility conditions. Based on its own independent testing, the NAO has concluded that the estimated most likely error in 2009-2010 totalled £106.4 million, some 2.6 per cent of total payments (2008-2009: £83.5m, 2.2 per cent).

- 9 The estimates of most likely error are based on analysis of samples of award payments and as with all such calculations are subject to a degree of statistical uncertainty. This is quantified in the form of confidence intervals and expressed as a percentage expectation that the true value of the estimated most likely error lies within a particular range. My staff have applied confidence intervals of 95 per cent and estimated that, whilst the best estimate of overpayments is £106.4 million, the true levels of overpayment could lie in the range from £82 million to £130 million.

### Estimated level of error in Sure Start Maternity Expense

- 10 Based on its own independent testing, the NAO has concluded that the estimated most likely error in Sure Start Maternity Expense Payments during 2009-2010 totalled £11.7 million, some 8.5 per cent of payments. Due to the level of errors identified, I have qualified my opinion in respect of Sure Start Maternity Expenses for the first time this year. Discretionary Awards and the other Regulatory Award, Funeral Expense Payments, have been qualified in previous years.

### Error categorisation

- 11 The NAO has analysed the sample results into four main categories detailed in table 1 below. These are the same categories used in previous reports and provide an understanding of the main causes of error within the fund.

**Table 1: Estimated error levels**

Most likely error evaluation by award type and error category	Non-compliance with Secretary of State Directions	Missing case papers	Missing or incomplete loan agreements (and other key documents)	Suspected non-compliance due to inadequate documentation	Overall most likely error
	£m	£m	£ m	£m	£m
Budgeting loans	6.86	1.36	15.93	0	24.15
Crisis loans	3.37	13.83	5.39	40.32	62.91
Community care grants	1.58	1.42	0.90	2.10	6.00
Sure Start Maternity Grants	1.31	10.44	0	0	11.75
Funeral payments	0.83	0.82	0	0	1.65
Overall most likely error	13.95	27.87	22.22	42.42	106.46

### Missing case papers

- 12 Missing case papers errors occur when the Department is unable to provide any documentation on the case paper selected for testing by the NAO.
- 13 Over the last few years, the Department has made significant improvements in its case paper retrieval rates but for 2009-2010 this has once again become a significant issue. The Agency believes this is due to the reorganisation of its processing centre network with unusually large amounts of paperwork moving between offices. This has created new problems in the tracking and retrieval process which management are addressing.
- 14 The difficulty has been compounded by three cases within our sample which are known to be part of 229,000 files that the Agency accidentally destroyed in a paper reduction exercise during the year. As reported in the

Statement on Internal Control, Jobcentre Plus has acknowledged a number of weaknesses in this process and has implemented a number of new safeguards for future destruction exercises.

### Missing or incomplete loan agreements and other missing documentation

- 15 As part of the loan award process, customers are required to sign an agreement accepting the terms and conditions of the loan and the repayment rates, which is usually deducted from their ongoing benefit payment.
- 16 The NAO has found cases where the loan agreement is missing from the documentation supplied for testing. There were also examples where the case papers did not contain key pieces of documentation, such as records of telephone conversations, which is primary evidence of Decision Maker compliance with the Social Fund Directions.
- 17 The Department believes this situation can occur when the loan agreement or other documentation is separated from the case file and dispatched to remote storage at different times.

### Non-compliance with Secretary of State Directions

- 18 The discretionary part of the Social Fund is based on a series of 47 Secretary of State Directions, established under s168(5) of the Social Security Administration Act 1992 and s140(2) of the Social Security Contributions and Benefits Act 1992.
- 19 These Directions set out eligibility requirements and circumstances in which Decision Makers may exercise discretion over the amount of any award. Errors were identified by the NAO because of non-compliance with the Directions.

### Suspected non-compliance due to inadequate documentation

- 20 The NAO found that in a number of cases the quality of documentation supporting a decision was not sufficient to demonstrate compliance with Secretary of State regulations. I continue to have concerns about the adequacy of the evidence to show how Decision Makers have exercised their discretion. In some cases the lack of, or conflicts with, available evidence raises significant doubts as to whether the award complies with the relevant Directions.
- 21 In making awards Decision Makers must exercise their discretion on eligibility, the priority of the case and the value of the award which are reasonable to the customer's circumstances.

### Actions to improve the situation and reduce error

- 22 As a result of our audit findings, the Department has adopted a number of measures to address the issues that we have raised.

### Scanning project

- 23 To address concerns around the retention and retrieval of case papers and other key documentation, Jobcentre Plus has introduced scanning facilities at all Social Fund processing sites to allow all cases papers and supporting documentation to be electronically held once a case decision is made. The aim is to dispense with the vast paper storage, retention and retrieval system the Agency currently operates and allow safe, quick and easy access to historic case information.

## Quality Assurance Framework (QAF)

- 24 Jobcentre Plus has completed the national roll out of the Quality Assurance Framework (QAF) which management believe is the key to achieving accurate and well documented award decisions. It is, however, likely to take some time before any substantial and sustained improvements are reflected in either the Department's or the NAO's estimated error figures. I will continue to report my findings next year.

## Regularity conclusion

- 25 The NAO acknowledges that the Social Fund exists to provide financial assistance to some of the most vulnerable in society and the judgement associated with making discretionary awards are to some degree subjective. The material levels of error within the payments tested by my staff mean that I have been obliged to qualify my regularity opinion on discretionary payments, Funeral Expense Payments and for the first time Sure Start Maternity Expense Payments.

## Accounts production process

- 26 There are four main and numerous sub IT systems which are used in the processing and recording of Social Fund awards. The four main systems are;
- a Winter Fuel Payment System (WFPS) – This is used to process Winter Fuel Payments.
  - b Social Fund Computer Systems (SFCS) – This is used to process and record Social Fund loans and grants. SFCS contains customer level data on outstanding debt.
  - c Social Fund Accounting System (SFAS) – All discretionary cases should be recorded onto the SFCS system as part of the decision making process. However, due to IT constraints this is not always possible and a supporting system, SFAS (which is a simple access database), is used to record cases which cannot be immediately entered onto SFCS.
  - d Programme Accounting Computer System (PACS) – This is the accounting system used to record the Social Fund financial information.

In addition, there are a number of other DWP Heritage Benefit Systems used to process Cold Weather Payments.

- 27 Due to IT limitations, there is no one system which contains all Social Fund accounting information. As a result, historically, the Social Fund White Paper Account has been drawn from a number of different sources. Furthermore, there are often discrepancies between different systems which should hold the same accounting information.
- 28 As a result of these discrepancies there has been an historic difference (commonly referred to as a 'timing difference') within the Social Fund White Paper Account statement of assets and liabilities which has been growing over the last few years. In the 2008-2009 Social Fund White Paper Account, this timing difference stood at £15.6 million. Whilst not material to the audit opinion in the 2008-2009 audit, the NAO reported this issue to management and highlighted the risks if the balance continued to grow and remained unchecked.
- 29 In response, Jobcentre Plus put in place an action plan to produce the account from one consistent and validated source, which they completed for the first time in the 2009-2010 accounts. This new production process required the Department to restate the accounts going back to 2003-2004.

## Impact on the 2009-2010 accounts

- 30 The changes to the accounting process have resulted in a net increase of £2.88 million at 1 April 2009 to the opening balance on the fund. There was also a net reduction of £17.46 million in the carrying value of Budgeting Loans and Crisis Loans and an increase of £8.23 million in the carrying value of Funeral Payment debt at 1 April 2009. The full impact of the new accounts production process is shown in more detail in note 16 to the accounts.

- 31 The new approach has addressed the majority of the NAO's concerns. The information is now drawn from one validated accounting system, PACS, and after a number of adjustments, the 'timing difference' has been eliminated, improving the accountability of the Fund for 2009-2010 and beyond. The NAO still has residual concerns around the debt figures reported in notes 5-8 to the account which are discussed in more detail below.

## Debt

- 32 The PACS accounting system provides a gross total outstanding debt balance, but is unable to provide a customer level breakdown. The Department relies on other systems, SFCS and the supporting SFAS, as the means of breaking down the debt into individual customer balances.
- 33 The balances from the SFCS added to those held in the SFAS system should give the total Social Fund debt outstanding but obtaining this debt breakdown is not a simple process and the Department relies on a series of system scans to extract the information. These scans interrogate data files held on SFCS and extract information on an individual application basis to show the applicant's details, initial loan amount, repayments made and the debt outstanding at the end of the period.
- 34 The audit work conducted by the NAO has shown there are no safeguards in place to ensure these system scans accurately pick up and record all information within SFCS. Added to this, the total outstanding debt figure from the SFCS scan added to the equivalent information recorded on the SFAS database, does not agree to the figure within the accounts by approximately £25 million.
- 35 In addition, the Department has admitted there are instances where debt information (commonly referred to as 'clerical cases') which could not be entered onto SFCS, has also not been recorded onto the backup SFAS on a timely basis. This missing information, whilst still correctly accounted for in PACS, further increases the discrepancy between the two sources of debt balances.
- 36 Jobcentre Plus estimates that there are some 130,000 such cases missing (unprocessed) with a value of £11 million at the year end. Management have been unable to provide documentary evidence to support their estimate and the true figure could be higher or lower.
- 37 In total, the estimated difference between the accounting system PACS and SFCS plus SFAS records of transaction level data is estimated to be £36 million. However, due to the unsubstantiated calculation of the number of clerical cases and weaknesses identified with the SFCS scan, this variance could be significantly different.

## Debt conclusion

- 38 Whilst I have been able to acquire assurance over the totality of the debt balance, I have been unable to obtain sufficient, appropriate audit evidence over the breakdown of this figure to complete my audit on the debt notes 5-8 to the account.
- 39 Auditing Standards require me to make a judgement on the impact this lack of audit evidence has on the accounts. The Department's inability to provide a complete and accurate breakdown of the debt figure into individual customer balances limits the audit work I am able to perform on the debt notes 5-8 to the accounts. In the absence of sufficient appropriate evidence on the make up of the customer debt balance I am unable to determine whether any adjustments to these amounts were necessary.
- 40 In my opinion, except for the notes 5-8, the accounts properly present, in accordance with the Social Security Administration Act 1992, the receipts and payments for the year ended 31 March 2010 and the balances as at that date.

### Actions to address the debt issues

- 41 Jobcentre Plus acknowledges the severity of the concerns I have raised on the debt notes within the accounts. Darra Singh, the Social Fund Accounting Officer, has set up a specific Social Fund Task Force to address the problems. The Task Force has commissioned new scans of SFCS and has plans in place to address the backlog of unprocessed clerical cases as well as strengthening the controls framework to tackle the root cause of the issue.

### Summary and conclusions

- 42 The NAO audit of the Social Fund White Paper Account has identified a number of new challenges, as well as the existing issues, in the control environment that the Department must address going forward. The NAO will continue to monitor progress made to correct these problems and I will provide an update in my Report on the 2010-2011 Account.

*Amyas CE Morse*  
Comptroller and Audit General

22 November 2010

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

## Receipts and Payments Account for the year ended 31 March 2010

	2009-2010 £000	Re-stated 2008-2009 £000
<b>Receipts</b>		
Receipts from the Secretary of State		
RfR 3 – discretionary	<b>270,800</b>	
RfR 3 – regulated	<b>505,032</b>	
RfR 3 – Winter fuel payments (regulated)	<b>2,738,167</b>	
	<b>3,513,999</b>	3,243,943
Repayments of budgeting loans	<b>465,779</b>	456,917
Repayments of crisis loans	<b>120,182</b>	84,460
Repayments of Funeral expenses payments	<b>326</b>	765
Refund of Social Fund overpayments discretionary	<b>14</b>	8
Refund of Social Fund overpayments regulated	<b>137</b>	239
	<b>4,100,437</b>	3,786,332
<i>Less</i>		
<b>Payments</b>		
<i>Discretionary</i>		
Budgeting Loans	<b>482,798</b>	456,675
Community Care Grants	<b>140,658</b>	141,373
Crisis loans	<b>232,507</b>	160,884
<i>Regulated</i>		
Winter fuel payments	<b>2,738,825</b>	2,699,126
Funeral expenses	<b>47,887</b>	50,804
Sure Start Maternity Grants	<b>138,814</b>	133,291
Cold weather payments	<b>298,261</b>	211,094
	<b>4,079,750</b>	3,853,247
Excess of payments over receipts	<b>20,687</b>	66,915
Excess of receipts over payments		

## Statement of Balances

	2009-2010 £000	Re-stated 2008-2009 £000
Opening balance	<b>16,172</b>	83,087
Excess of payments over receipts		66,915
Excess of receipts over payments	<b>20,687</b>	
Closing balance	<b>36,859</b>	16,172

*The notes on pages 20 to 27 form part of this Account.*

Darra Singh  
Accounting Officer

16 November 2010

# Notes to the Account

## 1 Accounting policies

The Account has been prepared in accordance with sections 167(4) of the Social Security Administration Act 1992. It has been prepared on a cash basis with no provision for accruals and in a form directed by the Treasury shown as an annex to this Account. The figures for 2008-2009 are given for comparison. They are taken from the Account for that year, (House of Commons Paper No.HC 943 of 2008-2009), and restated as described in Note 16.

## 2 Financial basis of the Social Fund

Payments from the Fund are split into two broad categories, Discretionary and Regulated. Discretionary payments comprise Budgeting Loans, Crisis Loans, and Community Care Grants and are cash limited. Regulated payments are Sure Start Maternity Grants and Funeral Expenses Payments, which are demand led, and Cold Weather payments and Winter Fuel payments, which are paid to qualifying customers. Section 78(1) of the Social Security Administration Act 1992 provides that, an award from the Social Fund, which is repayable, shall be recovered by the Secretary of State. The Social Fund is financed by these recoveries and payments made by the Secretary of State from RfR 3 of the Departmental Vote. In addition, section 78(4) of the Act provides that payments to meet funeral expenses may be recovered from the estate of the deceased.

## 3 Bank balance

The Social Fund closing bank balance will vary from year to year. The policy intention is to maintain a minimum balance which will provide working capital to contribute to, for example, an unexpected surge in Cold Weather Payments late in the financial year beyond the date for the Spring Supplementary Estimate. The value of this minimum balance was set at £25 million with the approval of HM Treasury.

## 4 Cold weather payments

For 2009-2010 the exceptionally cold winter resulted in a total of almost 12 million Cold Weather Payments being made, compared with an average over the last ten years of fewer than 3 million per year. The combination of the continued increase in the amount paid, from £8.50 to £25.00, and the range of payment triggers being experienced across the whole country, including major city conurbations with high populations of eligible customers, resulted in the total payment of £298 million. Additional funds were drawn down into the Social Fund at the Spring Supplementary stage to cover these payments.

## 5 Statement of loans

	Budgeting Loans £000	Crisis Loans £000	Total £000
Amount outstanding at 1 April 2009 – restated	646,882	325,727	<b>972,609</b>
Amount loaned	482,798	232,507	<b>715,305</b>
Transferred to overpayments	(30)	(19)	<b>(49)</b>
Amount recovered	(465,779)	(120,182)	<b>(585,961)</b>
Adjustments and amounts written off	(1,035)	(545)	<b>(1,580)</b>
Amount outstanding at 31 March 2010	<u>662,836</u>	<u>437,488</u>	<u><b>1,100,324</b></u>

The amount for loans outstanding at 31 March 2010 shown in this note is based on cumulative advances and repayments disclosed in the receipts and payments account less accounting adjustments and amounts written off.

Debt Relief Orders (DROs) were introduced in April 2009 for people with little or no assets and debts of no more than £15,000. DROs last 12 months during which time creditors named on the order cannot take any action to recover moneys owed. At the end of the 12 months, if the debtor's circumstances have not changed, the debts will be written off. The year end debt balance includes an estimated £5.6m of debt covered by a DRO (based on average debt).

On 23 July 2010 a judicial review hearing in the Administrative Court ruled that the Department's decision to continue to recover Social Fund loans (and overpayments of Social Security Benefits) by making deductions from an ongoing award of benefit where a Debt Relief Order (DRO) has been made was unlawful. This ruling was subject to an appeal on 20 October 2010, the judgement for which was reserved at the time of the preparation of the account.

If the Department is ultimately unsuccessful in challenging this ruling, deductions previously collected from customers during the period of their DRO will need to be refunded. The refund of amounts that have been collected in 2009-2010 will be recognised in the 2010-2011 White Paper account and is estimated to amount to £3m. The full value of the year end debt balance covered by DROs (£5.6m) will be at risk of write-off. In addition, the ruling will impact on the ongoing collection of debts subject to a DRO. The estimated impact of this ruling in the 2010-2011 account will be to reduce the annual debt recoveries by approximately £3m.

If the Department is ultimately successful in the appeal, deductions can continue on debts subject to DROs. Deductions previously collected from customers during the period of their DRO will not need to be refunded. Furthermore recoveries can continue against the estimated £5.6m of year end debt covered by a DRO. Estimated annual recoveries on debts subject to a DRO are £3m. Therefore the year end debt balance at risk of write-off will be £2.6m.

## 6 Age of loans analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2010, loans of some £9,216 million have been paid. Over this period, £8,078 million of these loans have been recovered and £38 million written off, leaving a balance of £1,100 million outstanding at 31 March 2010. Loans are normally recovered by deduction from Social Security benefits and, where this is not possible, by cash instalments. Where a customer has more than one loan, the earliest loan is normally recovered first, with recovery of later loans following automatically. A number of loans may take several years to recover fully and recovery procedures and arrangements are under review.

An Analysis of age of loans outstanding is summarised below

Age of loan	Budgeting Loans £000	Crisis Loans £000	<b>Total</b> <b>£000</b>
5 years and over	79,986	53,532	<b>133,518</b>
Between 1 year and 5 years	263,144	196,297	<b>459,441</b>
Less than 1 year	319,706	187,659	<b>507,365</b>
	<u>662,836</u>	<u>437,488</u>	<b><u>1,100,324</u></b>

**7 Statement of funeral expenses payments outstanding**

	£000
Amount outstanding at 1 April 2009 – restated	46,547
Payments made	47,887
Amount recovered	(326)
Adjustments and amounts deemed irrecoverable	(85,415)
Amount outstanding at 31 March 2010	<u>8,693</u>

Practice on the treatment of Funeral Payments was amended during 2008-2009 to reflect the low level of recoveries that are typically received. The treatment is to continue with recovery procedures for applications where there is an estate, or a likelihood of one, but that, for applications where no estate or other asset is declared, abandonment action is to be taken immediately. This procedural change, combined with a drive to reduce the level of historic debt where recovery is no longer possible, has reduced the overall Funeral Payment debt to £8.7 million.

**Age Analysis of Funeral Expenses Payments Outstanding****8 An analysis of the age of funeral expenses payments outstanding is summarised below**

	£000
Age of funeral payment	
5 years and over	472
Between 1 year and 5 years	2,696
Less than 1 year	5,525
	<u>8,693</u>

**9 Statement of overpayments**

	Regulated £000	Discretionary £000	Total £000
Amount outstanding at 1 April 2009	579	178	<b>757</b>
New overpayments made	432	60	<b>492</b>
Amount recovered	(137)	(14)	<b>(151)</b>
Adjustments and amounts written off	(333)	(60)	<b>(393)</b>
Amount outstanding at 31 March 2010	<u>541</u>	<u>164</u>	<u><b>705</b></u>

The amount for overpayments outstanding at 31 March 2010 shown in this note is based on the cumulative overpayments which have been identified less the repayments disclosed in the receipts and payments account less accounting adjustments and amounts written off.

In line with Departmental policy and procedures for the referral of benefit overpayment, SF overpayments are referred to the Departments Debt Management service for recovery. They are also incorporated within the debt of the DWP resource account.

Winter Fuel represents the largest of these overpayments at £485,000 (69 per cent), the remaining £220,000 is spread across the other award types with BL being the next largest at £80,000 (11 per cent).

**10 Passported debt**

As referred to in paragraph 27 of the Statement of Internal Control there is an issue relating to the estimated potential overpayments of grants. In the circumstances where an individual's qualifying, or passporting, benefit for a grant is subsequently withdrawn.

A range for the potential financial loss to the Fund, over the three-year period 2007-2008 to 2009-2010, is estimated at between £30m and £63m.

It has been established with the Treasury that, in line with the agreement reached with the Department over the treatment of historic overpayment debt, it does not represent value for money to identify and pursue recovery of historic instances of such overpayments. Accordingly any historic debt is not established and any loss to the Fund is not recognised in the Account.

### 11 Statement of losses

	£000
Recoverable loans impracticable to pursue (12,153)	1,580
Claims for recoverable Funeral Expenses payments abandoned due to insufficient estate (44,181 cases)	53,890
Claims for recoverable Funeral Expenses abandoned because they are impossible/unreasonable to pursue (25,846 cases)	31,525
Losses due to irrecoverable overpayments recorded during the year (8,439 cases)	393
	<u>87,388</u>

### 12 Fraud and error

Methodology to estimate the Monetary Value of Error (MVE) in Social Fund payments was introduced from 1 April 2008. This estimation continued throughout 2009-2010 and is now a firmly embedded business practice in line with other Jobcentre Plus benefits. The results are published within the national statistics on MVE.

### 13 Disclosure on the face of the account

From 5 October 1998, new legislation under Section 75 of the Social Security Act 1998 inserted a new section 71ZA into the Social Security Administration Act 1992, which enabled the Secretary of State to recover Discretionary Social Fund payments which have been overpaid as a result of misrepresentation or failure to disclose. As a result figures relating to subsequent recovery of Social Fund overpayments have been included on the face of the receipts and payments account. The Secretary of State has always been able to recover overpayments relating to Regulated payments and classification between Regulated and Discretionary overpayment recoveries has been included for clarity.

### 14 Extra statutory

Winter Fuel Payments (WFP) were introduced in 1997-1998 and provide a lump sum benefit to qualifying people aged 60 or over who are ordinarily resident in GB or NI. One group of people who do not qualify for WFPs are those who have been resident in a care home for more than 13 weeks and who are in receipt of IS/JSA. This is because it is assumed that they already get help for their accommodation costs through IS/JSA.

**15 Social Fund balance**

	Liabilities £000	Assets £000
HM Paymaster General		18,279
Social Security Benefits and other payments vote		14,609
Santander commercial bank		2,981
Administration and miscellaneous services vote		102
National Insurance Fund		1,310
Other government creditors / debtors (Net)	422	
Balance of Social Fund	36,859	
	<u>37,281</u>	<u>37,281</u>

The Balance of Social Fund represents the cumulative excess of receipts over payments since the inception of the fund. This is held as current assets in the above bank, debtors and creditors accounts.

The main bank account for the Social Fund is the HM Paymaster General account, the Social Security Benefits and other Payments Vote is money owed to the Social Fund from other Benefits and the Santander commercial bank account holds the funds to cover cheque payments.

**16 Prior year adjustment**

The account has been prepared historically by collating information from a number of different sources, which has led to a situation where an accounting discrepancy emerged, (previously reported in Note 13 as a Timing Difference). In order to overcome this, the accounting process has been re-designed.

The old method of producing the account was not collecting accurately all receipts and payments which has had an impact on the Receipts and Payments Account from 2003-2004 and also on the Debt figures reported as notes to the account. The process now in place is ledger-based, and results in the account information being embedded in a double-entry system with improved controls.

The accounts have been restated since 2003-2004 as no Timing Difference was reported in that year.

Table 1 shows the cumulative effect on the Social Fund Balance of the restatement for the period 1 April 2003 to 31 March 2008.

The restated excess of receipts over payments for the period has increased by £9m. These two figures together give a decrease on the closing balance of £2.2m. This closing balance becomes the Opening Balance for the 2008- 2009 accounts which can be seen in Table 2 of this note.

**Table 1**  
**Cumulative effect 1 April 2003 to 31 March 2008**

	Previously	Restated	Increase /
	Reported	Reported	(Decrease)
	£000	£000	in cash
			balance
			£000
Total receipts	14,578,686	14,584,951	6,265
Total payments	14,536,466	14,541,026	(4,560)
Excess of receipts over payments	42,220	43,925	1,705
Excess of payments over receipts			
Statement of balances			
Opening balance 1 April 2003	43,085	39,162	(3,923)
Excess of receipts over payments	42,220	43,925	1,705
Excess of payments over receipts			
Closing balance 31 March 2008	85,305	83,087	(2,218)

Table 2 shows the impact on the 2008-2009 comparators that appear in the Receipts and Payments Account for this year.

All figures except for the Secretary of State Funding Rfr 3 have been impacted by the change in accounting process. The overall effect has been a reduction in the deficit for the year of £5.1m. This adjustment, combined with the reduction in the Opening balance of £2.2m as shown in table 1 to this note, gives a closing balance on the Social Fund of £16.2m. This represents an increase of £2.9m on the previously reported figure and becomes the Opening balance for the 2009-2010 Account.

**Table 2**  
**2008-2009 comparators**

	Previously	Restated	Increase /
	Reported	Reported	(Decrease)
	£000	£000	in cash
			balance
			£000
RfR 3 – discretionary	218,200	218,200	0
RfR 3 – regulated	362,968	362,968	0
RfR 3 – Winter fuel payments (regulated)	2,662,775	2,662,775	0
Repayments of budgeting loans	456,030	456,917	887
Repayments of crisis loans	84,641	84,460	(181)
Repayments of funeral expenses payments	792	765	(27)
Refund of Social Fund overpayments discretionary	22	8	(14)
Refund of Social Fund overpayments regulated	233	239	6
Total Receipts	3,785,661	3,786,332	671
Budgeting loans	451,033	456,675	5,642
Community care grants	140,467	141,373	906
Crisis loans	175,771	160,884	(14,887)
Winter fuel payments	2,699,472	2,699,126	(346)
Funeral expenses	47,778	50,804	3,026
Sure Start Maternity grants	132,974	133,291	317
Cold weather payments	210,176	211,094	918
Total payments	3,857,671	3,853,247	(4,424)

Excess of receipts over payments			
Excess of payments over receipts	72,010	66,915	(5,095)
Statement of balances			
Opening balance	85,305	83,087	(2,218)
Excess of payments over receipts	72,010	66,915	(5,095)
Excess of receipts over payments			
Closing balance	13,295	16,172	2,877

Table 3 shows the cumulative impact of the restatement on the debt notes for the period between 1 April 2003 and the 31 March 2008. The opening balances have decreased £2.5m and the in period movements have changed due to the change in accounting process and therefore the Opening debt balances for 2008-2009 have changed, which can be seen in table 4 to this note.

**Table 3**  
**Cumulative effect 1 April 2003 to 31 March 2008**

	Previously Reported £000	Restated £000	Increase /(Decrease) £000
<b>Loans</b>			
Opening debt outstanding	561,158	558,198	(2,960)
Loaned	3,060,266	3,063,532	3,266
Transferred to overpayments		(366)	(366)
Recovered	(2,706,932)	(2,713,471)	(6,539)
Adjustments and write offs	(8,562)	(9,633)	(1,071)
Outstanding debt at end of year	905,930	898,260	(7,670)
<b>Funeral payments</b>			
Opening debt outstanding	69,560	69,969	409
Loaned	231,169	235,895	4,726
Transferred to overpayments		(111)	(111)
Recovered	(5,590)	(5,343)	247
Adjustments and write offs	(184,973)	(186,044)	(1,071)
Outstanding debt at end of year	110,166	114,366	4,200

Table 4 shows the impact of the restatement on the 2008-2009 comparators used in the debt notes to the account. The overall impact of the change in accounting process is to reduce the loan debt by £17 million and to increase the funeral payment debt by £8 million.

**Table 4**  
**2008-2009 comparators**

	Previously Reported £000	Restated £000	Increase /(Decrease) £000
<b>Loans</b>			
Opening debt outstanding	905,930	898,260	(7,670)
Loaned	626,804	617,559	(9,245)
Transferred to overpayments		(25)	(25)
Recovered	(540,671)	(541,364)	(693)
Adjustments and write offs	(1,936)	(1,764)	172
Outstanding debt at end of year	990,127	972,666	(17,461)
<b>Funeral payments</b>			
Opening debt outstanding	110,166	114,366	4,200
Loaned	47,778	50,804	3,026
Recovered	(792)	(762)	30
Adjustments and write offs	(117,460)	(116,490)	970
Outstanding debt at end of year	39,692	47,918	8,226

*Darra Singh*  
Accounting Officer

16 November 2010

## Annex

### Accounts Direction given by HM Treasury

- 1 The Treasury in accordance with section 167(4) of the Social Security Administration Act 1992 hereby gives the following direction.
- 2 The statement of account, which it is the duty of the Department of Social Security to prepare in respect of the transactions of the Social Fund for the financial year ended 31 March 1996 in respect of any subsequent financial year, shall comprise
  - i a foreword;
  - ii an account of receipts and payments;
  - iii a statement of balances;and shall include any such notes as may be necessary for the purposes referred to in the attached schedule.
- 3 The Accounting Officer shall observe all relevant accounting and disclosure Requirements in 'Government Accounting' and any other guidance issued by HM Treasury, as amended or augmented from time to time.
- 4 The format of the statement of account and the disclosure requirements are in the attached schedule.
- 5 The Accounting Officer shall sign the foreword and account.
- 6 The Accounts Direction shall be produced as an annex to the accounts.

*Jamie Mortimer*  
Treasury Officer of Accounts

### Schedule – Format of Account and Disclosure Requirements

- 1 The foreword shall state that the account has been prepared in accordance with a direction issued by Treasury in pursuance of section 167(4) of the Social Security Administration Act 1992. The foreword will also include details of the following
  - a a brief history of the Social Fund and its Statutory background;
  - b categories of payment;
  - c financial performance;
  - d the publication of the Secretary of State's report;
  - e audit arrangements; and
  - f responsibilities of the Accounting Officer.

- 2 The receipts and payments account and statement of balances shall conform to the formats shown in the Annex, although minor variations may be made.
- 3 The notes shall include
  - a an explanation of the financial basis of the Social Fund;
  - b a statement of loans including an age analysis of loans outstanding;
  - c a statement of losses; and
  - d the policy on maintaining a standing balance.

## Annex

## Receipts and Payments Account for the year ended 31 March XXXX

	20XX-XX £000	20XX-XX £000
Receipts		
Receipts from the Secretary of State		
RfR – Discretionary		
RfR – Regulated		
RfR – Winter Fuel (Regulated)		
Repayments of Budgeting Loans		
Repayments of Crisis Loans		
Repayments of Funeral Expenses Payments		
Refund of Social Fund Overpayments Discretionary		
Refund of Social Fund Overpayments Regulated		
<i>Less</i>		
<b>Payments</b>		
Discretionary		
Budgeting Loans		
Crisis Loans		
Community Care Grants		
<i>Regulated</i>		
Winter Fuel Payments		
Funeral Expenses		
Maternity Expenses		
Cold Weather Payments		
Excess of receipts over payments		
(Excess of payments over receipts)		

## Statement of Balances

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

*The notes on pages x to x form part of this Account.*

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