

Report on Account 2012 Scheme

Report by the Comptroller and Auditor General to the House of Commons

Introduction

The Department for Work and Pensions (the Department) is responsible for the delivery of statutory child maintenance schemes in Great Britain, and the management of client funds relating to these. In Great Britain, the Child Support Agency (CSA) 1993 and 2003 schemes and the Child Maintenance Service (CMS) 2012 statutory child maintenance scheme (the 2012 scheme) support children by collecting funds from non-resident parents and paying these funds to parents with care.

The Department is leading the schemes through a period of major reform, where the intention is that, eventually, all child maintenance cases in Great Britain are processed under the 2012 scheme. At present the Department is running the older 1993 and 2003 schemes concurrently with the new 2012 scheme while it continues to transfer cases from one to the other.

This report relates specifically to the Client Funds Account reporting on cases administered under the 2012 scheme. I have produced a separate report on the Client Funds Account that reports cases administered under the 1993 and 2003 scheme (HC855).

Qualified opinion on Irregular Receipts and Payments

As the independent external auditor, I am required to give an opinion on whether, in all material respects, the Client Funds 2012 Scheme Account properly presents receipts and payments for the year ended 31 March 2016 and whether these transactions have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the 'regularity' opinion).

The Department is required to adhere to specific legislative requirements of the Child Support Maintenance Calculation Regulations (2012) when determining maintenance assessments and has no authority to exercise latitude. When an assessment is made that is not in accordance with these legislative requirements, the receipt and associated payment are incorrect and irregular. While the Account properly presents the amounts of child maintenance received and paid in year, I have qualified my regularity opinion on the grounds of material errors in the calculations of maintenance assessments; these assessments are not in accordance with the legislation and therefore the associated Receipts and Payments are not in line with the purposes intended by Parliament.

In 2015-16, the Department received £39.9 million. I have estimated that errors in assessments result

in overpayments of child maintenance amounting to £278,122 (0.70% of receipts) and underpayments totalling £587,227 (1.47% of receipts). In 2014-15 I estimated that errors in assessments resulted in overpayments of child maintenance amounting to £305,000 (1.19% of receipts) and underpayments totalling £295,000 (1.15% of receipts).

The cases affected by overpayments are unconnected to the cases affected by underpayments, and consequently I have had to consider the gross error figures. I have therefore qualified my regularity audit opinion on the basis of the gross value of irregular receipts and payments of £865k (2.2% of receipts).

The Department's Quality and Assurance Team (QAT) carries out extensive checking of maintenance assessments each year. These checks cover both new applications for child maintenance and cases where there has been a recalculation owing to a change in circumstance. I have reviewed the findings of the QAT and have estimated the gross error rate of 2.2% in maintenance assessments using their work and findings from my audit.

My estimate for the level of over and underpayments remains unadjusted within the reported receipts and payments figures in the Account. An adjustment cannot be made to the figures because the value of over and underpayments is an accumulation of a significant number of individual incorrect maintenance assessments.

Impact of incorrect assessments on the arrears balance

Where a non-resident parent does not make payments in accordance with their child maintenance assessment, the Department records any shortfall in the outstanding maintenance arrears balance reported in Note 5 of the Account. At 31 March 2016, the arrears balance relating to the 2012 scheme was £55.8 million.

Unlike the 1993 and 2003 Schemes, the net impact of these incorrect assessments on the arrears balance disclosed in note 5 is not material, and so I have not qualified my opinion on the truth and fairness of this balance. I estimate that the net misstatement on the arrears balance due to incorrect misstatements is £364k, this comprises a £822k understatement and £458k overstatement of the arrears balance.

While the net position of incorrect maintenance assessments is immaterial, and I have not qualified my opinion on the truth and fairness of the arrears balance, it is essential that the Department seeks to improve the rate of accuracy of assessments. Improved accuracy rates will ensure that the arrears balance is not materially mistated, but more importantly, will avoid the negative impact that incorrect maintenance assessments have on those that use the service.

How the Department is addressing the issues

Automated maintenance assessments under the 2012 scheme

The 2012 scheme uses an automated interface with a HMRC customer database in order to establish various pieces of non-resident parent and parent with care details. The Department's own Quality and Assurance Team has reported that all automated case processing on initial calculations and annual renewals subject to their checking has been found to be free from error.

For any given case there may be a need for manual case worker intervention for a number of reasons, including customers contacting the Department to inform them of a change of circumstances that impacts upon their maintenance assessment. Prior to 2015-16, the Department was unable to disaggregate the remaining caseload and these cases were all included in the manual error estimate, however this year the Department has been able to identify such a disaggregation that has allowed me to take account of the improved accuracy rate as a result of automation in initial calculations and annual reviews.

The Department have also developed a new web based portal that allows a non-resident parent or parent with care to log in and update information, some of which may impact upon the assessment calculation. This then automatically feeds in to a work queue for a case worker to action but, unlike with other changes of circumstance, the change in the assessment calculation is automated. While these types of changes of circumstance are likely to be less susceptible to error, the Department's work to prove this remains on-going and was not available for me to consider as part of the 2015-16 financial audit. As such, I have been unable to take account of this potentially higher accuracy rate in forming my opinion on the regularity of the Department's 2012 scheme account. The Department is in the process of carrying out work to demonstrate enhanced accuracy for 2016-17.

Improving maintenance assessment accuracy rates going forwards

As with any significant change to a business there is likely to be a period of time before the new processes and operational ways of working are fully embedded within the organisation. The Department reported an accuracy rate of 98.1% for 2015-16 (97.9% in 2014-15) for child maintenance assessments.

The Department is working hard on addressing the level of case worker accuracy and sees the accuracy of maintenance assessments in the 2012 scheme as a priority. The Department has continued to introduce a greater element of automation into its calculations and hopes to be able to provide evidence of improved accuracy rates as a result in 2016-17.

The case load being assessed under the 2012 scheme has grown considerably since I last reported, and is set to grow even further as more customers' cases are closed on the 1993 and 2003 schemes and parents are given the option to apply to have their cases assessed under the 2012 scheme. While it is pleasing to see the small increase in accuracy rates in 2015-16, the inaccuracies in child maintenance calculations continue to have a significant negative impact upon both parents with care and non-resident parents. As the caseload grows it is becoming evermore vital that the Department continues its work to understand and improve case worker accuracy in child maintenance assessment calculations so that parents can have confidence in the quality and accuracy of service provided.

I am investigating concerns of parents and Parliament relating to case closure and will report in Spring 2017.

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8 December 2016

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