



National Audit Office

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14 DECEMBER, 2017

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**Department for Work & Pensions**

**2012 Child Maintenance Schemes Client  
Funds Account: Report by the Comptroller and  
Auditor General to the House of Commons**

## Introduction

1 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 schemes. 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 paying parents and paying these funds to receiving parents.

2 This report relates specifically to the Client Funds 2012 scheme Account (the Account) and considers the Department's management of the scheme. I have produced a separate report on the Client Funds 1993 and 2003 schemes Account (HC610).

## Key findings

3 **The Department for Work and Pensions (the Department) has improved the accuracy with which it assesses child maintenance due under the 2012 child maintenance scheme.** Improving accuracy rates is important as inaccuracy in child maintenance calculations can have a negative impact on parents and children; inaccuracies can result in receiving parents getting too little or paying parents paying too much.

4 **For the first time since the introduction of the 2012 child maintenance scheme, I have been able to issue an unmodified opinion on the regularity of the receipts and payments recorded in the Account for 2016-17.** Where assessment calculations are accurate, the associated receipts and payments conform to scheme rules and are regular. I have estimated the level of inaccurate receipts and payments made during the year to be £0.5 million, 0.88% of total receipts. I do not consider this level of inaccurate receipts and payments to be material to the Account.

5 **Arrears representing unpaid maintenance on 2012 child maintenance scheme cases are increasing.** The 2016-17 arrears balance in the Account is £113.8 million, an increase from £55.8 million in 2015-16. Although I am satisfied that the arrears recorded are materially accurate – unlike those arising on the 1993 and 2003 schemes – it is vital that the Department takes timely action to collect arrears due or to write off where appropriate, to avoid mounting arrears that will prove as uncollectable and unmanageable as those on the 1993 and 2003 schemes.

6 **The Department expects accuracy to improve further as it increases the proportion of child maintenance assessment calculations that are automated.** While there remains a risk that the error rate in manual calculations fluctuates between financial years, the Department is confident procedures to tackle the areas most susceptible to error will ensure the overall improvement in accuracy is sustained. One of the principal reasons for the improved rate of accuracy is the increase in the proportion of child maintenance calculations being automated, from an estimated 43.6% in 2015-16 to 73.7% in 2016-17. This proportional rate is expected to increase further in the future as 1993 and 2003 scheme case closure nears an end.

## Recommendations

7 When errors are made in child maintenance assessments or when parents do not pay the maintenance that is due, children can lose out. I will continue to monitor accuracy rates through my financial audit, and report if the Department does not maintain accuracy levels or allows arrears to rise. The Department intends to identify further opportunities where automated assessment calculations can be used in the 2012 child maintenance scheme, both enhancing accuracy and reducing the need for manual interventions.

8 I recommend that the Department takes prompt action to address the growing levels of arrears to

ensure that the issues with collectability and manageability of arrears arising on the 1993 and 2003 schemes are not repeated.

## Unqualified opinion on regularity of Receipts and Payments

**1.1** As the independent external auditor, I am required to give an opinion on whether, in all material respects, the Account properly presents receipts and payments for the year ended 31 March 2017 and whether these transactions have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the 'regularity' opinion).

**1.2** 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 associated receipts and payments are incorrect and irregular.

**1.3** Since 2014-15, the Department has produced the Account separately from the Client Funds 1993 and 2003 schemes Account, and has properly presented the amount of child maintenance received and paid in year. However I have each year qualified my regularity opinion on the grounds of material errors in the calculations of maintenance assessments. Errors result in assessments that are not in accordance with the legislation and are therefore irregular.

**1.4** For the first time, in 2016-17, I have concluded that the level of error in child maintenance 2012 scheme receipts and payments is not material to the Account. The Department has improved the accuracy of assessments following significant work to expand its automation of child maintenance calculations and subsequent revisions arising from changes of circumstance. It has also taken steps to address the root cause of manual case worker error.

### **Estimating accuracy in child maintenance assessment calculations**

**1.5** 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 to estimate a gross error rate in maintenance assessments of 0.88% (2015-16 2.17%).

**1.6** In 2016-17, the Department received £53.9 million (2015-16: £31.3 million) of Child Maintenance receipts. I have estimated that errors in assessments result in overpayments of child maintenance amounting to £0.2 million (0.40% of receipts) and underpayments totalling £0.3 million (0.48% of receipts). In 2015-16 I estimated that errors in assessments resulted in overpayments of child maintenance amounting to £0.4 million (0.70% of receipts) and underpayments totalling £0.6 million (1.47% of receipts).

### **How the Department has improved accuracy rates**

**1.7** In order to reduce the level of error to below material levels, the Department has increased the proportion of decisions that are calculated through an automated process and it has demonstrated that such automated decisions are accurate. This includes automated interfaces with HMRC and DWP systems that mean many calculations are performed with no case worker intervention. 560,000 calculations were made automatically, some 74% of all calculations. This compares to 44% of all calculations in 2015-16. The Department has been able to demonstrate to me that automated calculations are free from error.

**1.8** Combined with the significant progress made on automation, the Department continues to carry out specific work on manual caseworker calculations. Throughout 2016-17, the Department has been carrying out work to embed a continuous improvement culture within the organisation. The Department's leadership team meet fortnightly to review data from the previous two weeks, they discuss the impact on reported accuracy performance and review cases to understand where and why errors occur, to apply learning and reduce future errors.

## **The impact of incorrect assessments on the arrears balance**

**1.9** 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 2017, the arrears balance relating to the 2012 scheme was £113.8 million (2015-16: £55.8 million).

**1.10** I consider that the net impact of incorrect assessments on the arrears balance, as 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 assessments is £0.3 million (0.2%) This comprises a £0.9 million (0.8%) understatement and £0.7 million (0.6%) overstatement of the arrears balance.

## **Future developments**

### **Automated maintenance assessments under the 2012 scheme**

**1.11** As noted above, a greater proportion of child maintenance calculations is now automated. These automated calculations, which the Department has demonstrated were accurate during 2016-17, are likely to cover a greater proportion of maintenance calculations in the future. As 1993 and 2003 scheme case closure nears an end, the Department expects fewer new child maintenance cases under the 2012 scheme and a greater proportion of decisions made to be renewals and changes of circumstance. Automation of maintenance calculations is much more prevalent in renewal decisions than with new cases. The impact of a greater volume of automated calculations should lead to continued improvements in the overall accuracy rate of child maintenance assessment calculations.

### **Improving manual calculation accuracy rates**

**1.12** The Department recognises that the biggest challenge in sustaining accuracy is in decision makers calculating manual maintenance assessments correctly, and sees the sustained accuracy of manual maintenance assessments in the 2012 scheme as a priority. Ensuring manual case worker decisions are accurate is crucial in providing an acceptable level of service to parents. There is a risk that the error rate in manual calculations could grow, leading to a material cumulative error rate in child maintenance assessments in future.

**1.13** To address this challenge, the Department has invested significant time and effort in implementing a checking strategy. The main focus of this is providing root cause analysis and this is carried out alongside the work of the Quality Assurance Team. Where errors are identified in the manual population, the Department carries out work to understand the reasons behind such errors. It then moves resource in the

business to improve procedures, decision maker instructions and if necessary implements additional training to ensure these errors do not occur in the future.

**Sir Amyas C E Morse**

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