

Presented pursuant to c.5, s.167(4) of the Social Security (Administration) Act 1992

Social Fund Account 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 29 NOVEMBER 2005

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on behalf of Parliament.

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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 payment

Budgeting Loans

Interest free loans may be made to customers in receipt of Income Support, 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, 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 to 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.

Maternity Payments and Sure Start Maternity Grants

2000-2001 saw the abolition of the Social Fund Maternity payment scheme, which had been in existence since 1987, and its replacement by the Sure Start Maternity Grant scheme. The Sure Start Maternity Grant was introduced on 27 March 2000. It is available to families receiving Income Support, 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 or the subject of a parental order on or after 11 June 2000.

Rather than ceasing Maternity Payments and introducing Maternity Grants on one day, the two benefits ran in parallel until the end of the last possible claim period for Maternity Payment (10 September 2000). Initially worth £200 (double the old Maternity Payment), the Grant increased to £300 from 17 September 2000 in respect of babies due, born, adopted or subject of a parental order on or after 3 December 2000, and to £500 (with effect from 31 March 2002) in respect of babies due, born, adopted or the 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 to their partners, who are in receipt of Income Support or Jobseekers Allowance (Income Based), 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. Also payable to customers in receipt of Income Support, or income based Jobseekers Allowance who also have a disability, or a pensioner premium, or who have a disabled child or a child under 5 years of age receive payments of £8.50 for each period of 7 consecutive days during which the average temperature was or was forecast to be 0 degrees Celsius or below in the 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, allowed 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 2004-2005 the qualifying period was week commencing 20 September.)

A 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 judgement, the Government decided that help through Winter Fuel Payments would be extended to people aged 60 or over and ordinarily resident in Great Britain or Northern Ireland, regardless of whether they are receiving a Social Security benefit.

Where there is only one person in the household who is entitled, the full Winter Fuel Payment is paid. If there are other people in the household who qualify, the lower level of Winter Fuel Payment is paid to each qualifying person

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 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.

During 2004-2005 £615 million of recoverable loans were issued, which added to the debt owed to the Fund. Recovery of loans to the Fund during the year were £537 million against original forecast recoveries of £520 million.

The Social Fund closing balance will vary from year to year but the policy intention is to maintain within the Fund a minimum standing balance of £15 million. This balance, which was set by Treasury in 1988, represents a contingency to ensure that the Fund does not go into deficit. The purpose of the balance target is to ensure that should the level of recoveries not be as high as forecast, or should there be an unexpected surge in Cold Weather payments, which becomes apparent too late to be dealt with by Supplementary Estimates, these can be contained within the Fund.

The Social Fund is maintained by monies voted by Parliament under RfR 3 of the Departmental 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 decreased to £100 million. Any in year over funding 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 6595) was presented to Parliament in July 2005 and gives a detailed account of the activities and provisional expenditure on the Social Fund for 2004-2005.

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 Permanent Secretary of the Department for Work and Pensions, 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 Government Accounting.

Sir Richard Mottram
Accounting Officer

10 November 2005

Statement on the System of Internal Control (Social Fund)

1 April 2004 - 31 March 2005

Scope of responsibility

As Accounting Officer for the Social Fund, I am responsible for maintaining a sound system of internal control that supports the achievement of the aims, objectives and policies of the fund, set by the Department's Ministers, whilst safeguarding the public funds and departmental assets of the Fund for which I am personally accountable, in accordance with the responsibilities assigned to me in Government Accounting.

The Social Fund is mostly administered by Jobcentre Plus, an Executive Agency of the Department for Work and Pensions and as such operates under their internal control environment. The Jobcentre Plus Board and senior management team in managing the totality of its activities applies this control environment to Social Fund activities as appropriate. The only exception is that Winter Fuel payments are administered by The Pension Service, and as such these activities are carried out within their internal control framework.

The Fund is mainly administered through the national network of Jobcentre Plus offices. Responsibility for Social Fund processing and delivery lies with the Jobcentre Plus Chief Operating Officer (COO) who has responsibility for field directorates and all operational staff, whilst policy implementation, change impact and improvements to the Fund fall under the remit of the Director of Product & Business Design. Both of the above are Jobcentre Plus Board Directors.

The Fund also carries out work on behalf of The Pension Service. The processing of this work is primarily carried out within Jobcentre Plus and therefore operates under their internal control environment.

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

The Jobcentre Plus system of internal control is designed to ensure that the risks associated with the delivery of aims, objectives and policies are effectively managed; it does not seek to provide absolute assurance. 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 2005 and up to the date of approval of the Annual Report and Accounts.

Capacity to handle risk

The Jobcentre Plus Board provide leadership for the risk management process through their regular review of board level risks. This formal process has been in place for the whole year and is currently being reviewed. There have been no high level Social Fund issues identified through this process although ongoing problems with regard to the recovery of documentation from store has been discussed both at the Jobcentre Plus Board and Departmental Executive Team level. Despite changes to the document storage contract which have led to improvements in service delivery I have recognised that more needs to be done to improve the management of these risks and I am currently considering measures to improve progress in these areas.

A Risk management e-learning package, available to all Jobcentre Plus staff through the Intranet, has been developed and launched. It supports the DWP risk management principles and those advocated by HM Treasury; it forms an integral part of the Pathway to Leadership management training programme.

Jobcentre Plus has in place a network of staff at region/country level, district level and the national tier who are responsible for embedding governance across the organisation. Training has been provided for these key staff and networks are in place to disseminate and share good practice.

A significant contextual issue is the pace and extent of the ongoing programme of modernisation. The tension between maintaining business delivery with reduced headcount whilst delivering an aggressive change agenda has the ongoing potential to compromise the ability to manage risks effectively.

The risk and control framework

The Jobcentre Plus Board has reviewed the Jobcentre Plus Risk Register on a bi-monthly basis. As part of these reviews they have considered the 'risk profile' assigned to that risk. This is an evaluation of the risk based on the principles laid out in the Department for Work and Pension's Risk Management Framework. The profile is re-assessed in the light of the Board's discussions on the reported success or otherwise of mitigation actions put in place by the Board's risk 'owner'. Where risks are identified that cannot be managed at Board level, they have been escalated to the DWP Strategic Risk Review Board for my consideration and inclusion in the DWP Strategic Risk Register and management at Departmental level.

Where necessary the Jobcentre Plus Board will request further work to bring the risk profile down to a level acceptable to their 'risk appetite'. This is determined by assessing the impact of the risk on key areas of the business such as achievement of targets, misappropriation of funds, security of assets and compliance with legislation. The priority risk areas this year were organisational capacity through a period of transformation, the efficiency challenge and its impact on performance outcomes and accuracy of public information.

As the member of DWP's Executive Team with the largest customer facing operation, Jobcentre Plus have also taken responsibility for managing one of the strategic risks facing the organisation, that of 'Major failure by the department to provide accurate information to the public'. Internal Assurance Services have noted progress made in this area.

To embed risk management in the 'policy development' and decision making of Jobcentre Plus, the protocols for Board papers require that any papers going before the Board should address the risks to the business of all new initiatives and/or how the proposal would impact existing Board risks. Jobcentre Plus have recognised, however that as a Board they have not fully enforced these protocols and this is an area for improvement. A dedicated Business Control Team has been set up to ensure that risk-based controls are built into developing systems and processes.

Although no risks in respect of Social Fund have been escalated to Jobcentre Plus Board, Social Fund risks have been managed at a lower level by the planning process undertaken by the Jobcentre Plus Product and Business Design Directorate. Processes are in place to ensure that, where identified risks cannot be managed at that level, they can be escalated up to the appropriate level for action, all the way to the Board if necessary. In particular

- risks to development of the Social Fund Computer System (SFCS) have been managed under PProjects IN Controlled Environments (PRINCE) principles;
- risks to overspending of some discretionary budgets are mitigated by a national level process for monitoring district expenditure , which if necessary then allows allocation of resources to be moved in year;
- risk of failing to meet the recovery target, which underpins the gross discretionary budget, has been managed through effective recovery mechanisms;
- risks to the integrity of Social Fund delivery have been managed through a system of mandatory checks in place to confirm the accuracy of decision-making and payments; and
- contingency plans are in place should SFCS fail.

Additionally, the Social Fund operates a system of internal control based on a framework of statutory 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 reporting against forecast;
- 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
- an annual quantification and reconciliation exercise to verify and validate accounting information.

Review of effectiveness

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 is informed by the work of Internal Assurance Service, Jobcentre Plus and Work Welfare and Equality Group (WWEG), Group Finance, Planning and Support (GFPS) and the executive managers within Jobcentre Plus who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. However, this does not include a separate formal assurance from Jobcentre Plus in respect of the Social Fund or formal review by their Corporate Governance Committee. These weaknesses will be formally addressed by the work underway to improve the clarification of accountabilities across the Department. In respect of the 2004-2005 financial year this meant that the Social Fund Account and the associated Statement of Internal Control was reviewed and approved by the Departmental Audit Committee.

During the year Jobcentre Plus have operated a stewardship reporting process using Letters of Assurance. These letters are submitted by District Managers in the Field and Heads of Division in the National Tier to their respective Board Members. The Social Fund is covered by these arrangements. Jobcentre Plus have recognised however that this process needs to be more closely linked to the business objectives and accountabilities of those involved and with this in mind have been piloting a new 'Assurance Framework' to underpin the Letters of Assurance. This will be evaluated in the first quarter of 2005-2006 and if successful will replace the current Letter of Assurance process.

During 2004-2005 Internal Assurance Services internal auditors reviewed the budgetary control in place at both national and local level, for the discretionary Social Fund loans and grants budgets. The report gave a substantial assurance that overall, the Social Fund budgetary controls are effective and robust. Their recommendations, including further improvements to managerial awareness of sound budgetary management practices, roles and responsibilities have been accepted, and action to address these is underway and will be fully implemented during 2005-2006.

Significant control weaknesses

The National Audit Office conducted a review of the Social Fund and their report 'Helping those in financial hardship: the running of the Social Fund' was published in January 2005. The issues identified primarily relate to the need to improve customer awareness, better staff training, standardise processes and improve debt (loan repayment) management. An action plan is in place to address these issues, with progress being monitored by my Head of Internal Audit. Some activities are already underway and are included in the paragraphs below, with implementation dates agreed for other longer-term measures.

Further reform and administrative improvement changes will be delivered in 2006-2007 to deliver the requirements of Ministers for reform of the Social Fund, and to incorporate changes to the budgeting loan scheme announced by the Chancellor in SR2004 and the Child Poverty Review. The planned implementation date for the first round of changes is April 2006. Administrative improvements to the scheme will be achieved through changes to supporting IT infrastructure, aimed at introducing greater efficiency in line with the introduction of a Standard Operating Model (SOM) and centralised benefit processing.

Social Fund has worked closely with Debt Management and Jobcentre Plus field co-ordinators to develop processes to reduce the amount of unmanaged debt in readiness for migration and referral of off-benefit cases to Debt Management to pursue direct recovery. Procedures have been developed during 2004-2005 to support the clerical migration process, which should complete in 2005-2006. Clerical procedures will be used initially to manage the process of referral, update of recovery information and reconciliation of recoveries on SFCS with Debt Manager, until an electronic interface goes live in January 2006.

Work is ongoing to develop the electronic interface between SFCS and Debt Manager. This will provide SFCS with the importing and accounting functionality to automatically receive, validate and process 'off benefit' repayment information from Debt Manager. Whilst recovery is being managed on Debt Manager SFCS will also update Debt Manager with details of any action taken on SFCS which results in a change to loan balances held by Debt Manager. This will ensure data common to both systems is consistent. Debt Management are also developing an e-forms based solution for the automatic referral of cases to replace the clerical process being put in place for the migration of this work to Debt Management.

Accounting data integrity issues have been identified in previous years in relation to production of the Social Fund White Paper Cash Account. Action to address these issues is underway with the development of a system of resource accounting, based on the introduction of an Accounts Receivable, to replace the current cash accounting system. Part of the assurance process involves producing a Social Fund resource account for 2004-2005 to compare to the cash account. On successful data assurance the Social Fund will move to full resource accounting.

Previous NAO criticism of a paper based system of recording and controlling off-SFCS payments and recoveries has been addressed by the deployment in 2004-2005 of a new IT networked local office based system, SFAS (Social Fund Accounting System). It improves controls around off-SFCS claims processing and produces more robust and timely accounting data for the Social Fund Account.

The Standard Operating Model has been developed and piloted, and roll out will begin from October 2005 as processing work is centralised in Benefit Processing Centres. This is underpinned by improved learning for staff and decision makers. Additionally, better communication to customers will be achieved through improvements to the Social Fund content in new generic leaflets for selected client groups and also the development of Social Fund information sheets.

Problems have continued with the department's ability to retrieve documents from remote storage. This had resulted in the qualification of the 2003-2004 Social Fund Accounts, and has also led to a qualification of the 2004-2005 Accounts. This is a DWP wide issue and is being dealt with through the contract management process. As part of the mitigation of risk, the contract for this service has recently been re-let and whilst there is still much to do there are noticeable signs of improvement. The new solution will consolidate the service into a single store and introduce a standard process supported by a modern IT system. The contract sets more demanding performance and accuracy targets than before, and significant improvements have already been identified in both these areas. Performance targets for staff will be introduced and measured during 2005.

Improvements have been made to the effectiveness of the mandatory checks that are designed to ensure the accuracy of Social Fund decision-making and legitimacy of payments. Only checks that are risk-focused and cost effective will transfer to the new Business Control System planned for end of 2005-2006, that will provide a compliance and assurance system to support the performance of mandatory checks.

Sir Richard Mottram
Accounting Officer

10 November 2005

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 12 to 16 under section 167(4) of the Social Security Administration Act 1992.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 4, the Accounting Officer is responsible for the preparation of the account and notes in accordance with the Social Security Administration Act 1992 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements properly present the receipts and payments and are properly prepared in accordance with the Social Security Administration Act 1992 and Treasury directions made thereunder, and whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the Financial Statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 5 to 8 reflects the Social Fund's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by HM Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Social Fund's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. However, the Department were unable to provide all the evidence I considered necessary to complete my audit of:

- £486.457 million of Budgeting Loan payments;
- £127.202 million of Community Care Grants; and
- £82.322 million of Crisis Loan payments.

There were no other satisfactory procedures that I could adopt to confirm that payments of Budgeting Loans, Community Care Grants and Crisis Loans had been applied to the purposes intended by Parliament.

Accordingly, I have concluded that payments arising from Budgeting Loans, Community Care Grants and Crisis Loans have not been applied to the purposes intended by Parliament and do not conform to the authorities which govern them.

Informing my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- except for any adjustments that might have been found to be necessary had I been able to obtain sufficient evidence concerning the assessment of Budgeting Loans, Community Care Grants and Crisis Loans, the financial statements properly present the receipts and payments of the Social Fund for the year ended 31 March 2005 and have been properly prepared in accordance with the Social Security Administration Act 1992 and directions made there under by Treasury, and
- except for any adjustments that might have been found necessary had I been able to obtain sufficient evidence concerning the payments of Budgeting Loans, Community Care Grants and Crisis Loans referred to above, in all material respects the receipts and payments have been applied to the purpose intended by Parliament and conform to the authorities which govern them.

Details of these matters are set out in my report on page 11

Sir John Bourn
Comptroller and Auditor General

18 November 2005

National Audit Office
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Report by the Comptroller and Auditor General

Introduction

The Social Fund White Paper Account records payments of £2.8 billion made by the Department for Work and Pensions to customers in respect of

- Regulated Winter Fuel Payments (£1.9 billion), Funeral Expenses (£46 million), Maternity Expenses (£118 million) and Cold Weather Payments (£1.9 million); and
- Discretionary payments for Budgeting Loans (£486 million), Community Care Grants (£127 million) and Crisis Loans (£82 million).

The Account also includes receipts of £2.8 billion including £535 million from the repayment of Budgeting and Crisis Loans.

Audit opinion

I have qualified my opinion on the account because I was unable to confirm that the Department has maintained proper accounting records for certain Social Fund transactions and that I have received all the information and explanations I require for my audit. Specifically, the evidence made available by the Department to support amounts recorded in the account for Budgeting Loan payments (£486 million), Crisis Loan payments (£82 million), Community Care Grants (£127 million), Budgeting Loan repayments (£468 million) and Crisis Loan repayments (£67 million), was limited to a significant degree. I also qualified my opinion in respect of the 2003-2004 Social Fund White Paper Account.

Scope limitation

The National Audit Office planned to review a sample of the various types of payments from the Social Fund to provide assurance that payments were accurate and regular, that is in accordance with the eligibility conditions approved by Parliament.

Despite a thorough search, the Department were unable to locate the supporting papers in 6 of the 100 Budgeting Loans (6 per cent), 10 of the 100 Crisis Loans (10 per cent) and 8 of the 100 Community Care Grants (8 per cent) in the National Audit Office's sample. As a result the National Audit Office could not verify the accuracy and regularity of the relevant payments. The National Audit Office were able to carry out relevant tests on those cases received and did not find any evidence of material errors.

Following difficulties in finding all the case papers needed to allow the National Audit Office to complete its audit of the Department's 2003-2004 accounts, the Department has taken steps to improve document storage and retrieval. This included the letting of a contract with a new storage provider and introducing a standard storage and retrieval process supported by a modern IT system.

Sir John Bourn

18 November 2005

Receipts and Payments Account for the year ended 31 March 2005

	2004-2005		2003-2004
	£000	£000	£000
Receipts			
<i>Receipts from the Secretary of State</i>			
RfR 3 - Discretionary	134,114		
RfR 3 - Regulated	165,000		
RfR 3 - Winter fuel payments (regulated)	1,956,775		
		2,255,889	2,340,900
Repayments of budgeting loans	467,636		463,204
Repayments of crisis loans	67,450		66,407
Repayments of funeral expenses payments	1,533		1,078
Refund of social fund overpayments discretionary	55		63
Refund of social fund overpayments regulated	45		61
		2,792,608	2,871,713
<i>Less</i>			
Payments			
<i>Discretionary</i>			
Budgeting loans	486,457		482,015
Community care grants	127,202		117,827
Crisis loans	82,322		85,678
<i>Regulated</i>			
Winter fuel payments	1,956,329		1,931,495
Funeral expenses	46,162		47,105
Sure start maternity grants	118,321		120,347
Cold weather payments	1,933		3,943
		2,818,726	2,788,410
Excess of payments over receipts		26,118	(83,303)

Statement of Balances

	2004-2005	2003-2004
	£000	£000
Opening balance	126,388	43,085
<i>Minus</i>		
Excess of payments over receipts	26,118	(83,303)
Closing balance	100,270	126,388

The notes on pages 13 to 16 form part of this Account.

Sir Richard Mottram
Accounting Officer

10 November 2005

Notes to the Account

1 Accounting policies

The Account has been prepared in accordance with section 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 2003-2004 are given for comparison and are taken from the Account for that year (House of Commons Paper No. HC131 of 2003-2004).

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 Maternity expenses payments, 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 recoverable 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 Statement of loans

	Budgeting Loans £'000	Crisis Loans £'000	Total £'000
Amount outstanding at 1 April 2004	434,012	164,030	598,042
Amount loaned	486,457	82,322	568,779
Amount recovered	(467,636)	(67,450)	(535,086)
Adjustments and amounts written off	(1,262)	(433)	(1,695)
Amount outstanding at 31 March 2005	451,571	178,469	630,040

The amount for loans outstanding at 31 March 2005 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.

4 Standing balance

The Social Fund closing balance will vary from year to year but the policy intention is to maintain within the Fund a minimum standing balance of £15 million. This balance, which was set by Treasury in 1988, represents a contingency to ensure that the Fund does not go into deficit. The purpose of the balance target is to ensure that should the level of recoveries not be as high as forecast, or should there be an unexpected surge in Cold Weather payments which becomes apparent too late to be dealt with by Supplementary Estimates, these can be contained within the Fund.

The Social Fund is maintained by monies voted by Parliament in the 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.

5 Age of loans analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2005, loans of some £5,959 million have been paid. Over this period, £5,302 million of these loans have been recovered and £27 million written off, leaving a balance of £630 million outstanding at 31 March 2005. 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 minority of loans may take several years to recover fully. This may be due to the customer losing entitlement to benefit and recovery being deferred until a further claim is made.

An analysis of age of loans outstanding is summarised below

	Budgeting Loans £'000	Crisis Loans £'000	Total £'000
Age of loan			
5 years and over	43,631	27,603	71,234
Between 1 year and less than 5 years	121,809	83,766	205,575
Less than 1 year	286,131	67,100	353,231
	<u>451,571</u>	<u>178,469</u>	<u>630,040</u>

6 Statement of Funeral expenses payments outstanding

	£'000
Amount outstanding at 1 April 2004	89,917
Payments made	46,162
Amount recovered	(1,533)
Adjustments and amounts deemed irrecoverable	(38,028)
Amount outstanding at 31 March 2005	<u>96,518</u>

The amount for Funeral expenses payments outstanding at 31 March 2005 shown in this note is based on cumulative payments and repayments disclosed in the receipts and payments account, less accounting adjustments and amounts deemed irrecoverable.

Funeral expenses payments are recoverable only from the estate of the deceased, even if the estate is not fully sufficient to permit full recovery. However in the majority of cases the estate is insufficient for the Funeral expenses payments to be recovered. Accordingly the amount shown above as outstanding does not reflect the amount that may be recovered.

7 Age analysis of Funeral expenses payments outstanding

An analysis of the age of Funeral expenses payments outstanding is summarised below

	£'000
Age of Funeral payment	
5 years and over	2,183
Between 1 year and 5 years	50,210
Less than 1 year	44,125
	<u>96,518</u>

8 Statement of losses

	£000
Recoverable loans impracticable to pursue (14,912 cases)	1,804
Claims for recoverable Funeral expenses payments abandoned due to insufficient estate (33,033 cases)	31,638
Claims for recoverable Funeral expenses abandoned because they are impossible/unreasonable to pursue (6,666 cases)	6,385
Losses due to irrecoverable overpayments recorded during the year (4,043 cases)	324
	40,151

9 Benefit fraud

In April 1999 the Department for Social Security (now the Department for Work and Pensions) introduced a new Programme Protection Strategy as set out in the White Paper 'A New Contract for Welfare: Safeguarding Social Security'. The Public Service Agreement supporting this strategy published in March 1999 and amended in the spending reviews of 2000 and 2002, has one key output target - to reduce the level of fraud and error in Income Support and Jobseekers Allowance by at least 33% by 2004 and 50% by March 2006. Area Benefit reviews combined with the work of the Quality Assurance Teams, aim to provide a continuous programme of measurement of incorrectness in Income Support and Jobseekers Allowance (Income Based) against which progress will be measured.

Significant Social Fund benefits are paid annually to persons in receipt of the qualifying benefits of Income Support or Jobseekers Allowance (Income Based). The level of fraudulent claims for these benefits will therefore impact on payments made from the Social Fund. However, additional qualifying conditions for entitlement to Social Fund payments reduce the scope for losses from fraud. Also, loans are repayable and even where there may be misrepresentation in respect of qualifying benefits some entitlement to payments from the Social Fund may still remain. In view of this, the Department for Work and Pensions consider that the level of fraudulent applications that are successful are unlikely to be material.

10 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.

11 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.

During the financial year 2002-2003 Winter Fuel Payments totalling £451,400 were erroneously paid to 2,251 customers permanently resident in care homes. These represent Extra Statutory Payments made in 2002-2003. The write offs in relation to these non-recoverable overpayments have taken place in 2003-2004.

12 Social Fund Balance

	Liabilities £'000	Assets £'000
HM Paymaster General		42,207
Commercial Banks		1
Social Security Benefits and other Payments Vote		46,873
Alliance and Leicester Commercial Bank		4,818
Administration and Miscellaneous Services Vote		2,329
National Insurance Fund	201	
Veterans Agency		11
Timing Difference		4,232
Balance of the Social Fund	100,270	
	<u>100,471</u>	<u>100,471</u>

13 Winter Fuel Payments

Contained within the 'Irrecoverable Overpayment' category of the Statement of Losses (Note 8) is a value of £171,400 that relates to Write-offs of Winter Fuel. During 2004-2005 3,428 customers were incorrectly paid £350 instead of the correct amount of £300, this error resulted in overpayments. A decision was made within the Department, with the consultation of Ministers, to write off these amounts.

Sir Richard Mottram
Accounting Officer

10 November 2005

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
 - a a foreword;
 - b an account of receipts and payments;
 - c 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 foreword and account shall be signed by the Accounting Officer.
- 6 The Accounts Direction shall be produced as an annex to the accounts.

Jamie Mortimer
Treasury Officer of Accounts

7 December 1995

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

	£000	20XX-XX £000	20XX-XX £000
Receipts			
Receipts from the Secretary of State			
RfR 3 - Discretionary			
RfR 3 - Regulated			
<hr/>			
RfR 3 - 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>			
Payments			
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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DG Ref: F14102 5833RC

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
01/06

Published by TSO (The Stationery Office) and available from:

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