

Vote 40. - Social Community and Family Affairs

38. Overpayments

The Department of Social, Community and Family Affairs administers some 50 social assistance and social insurance schemes, with 1997 expenditure amounting to £2.5bn and £1.8bn, respectively.

During 1997 the annual expenditure on social welfare programmes increased by 2.4%, while the monetary value of fraudulent claims detected by the Department increased by 6.4%.

As indicated in Tables 11 to 12, during 1997, some 34,684 cases (32,609 in 1996) amounting to £20.8m (£18.9m in 1996) in overpayments were recorded for recovery.

Table 11 - Social Insurance - Overpayments Recorded for Recovery

Scheme	1997		1996	
	Amount £'000	Cases	Amount £'000	Cases
Disability Benefit	1,005	2,248	1,343	2,982
Maternity Benefit	5	17	11	40
Unemployment Benefit	1,523	8,576	1,288	7,761
Old Age (Contributory) Pension	308	491	161	293
Survivor's (Contributory) Pension	445	392	141	192
Invalidity Pension	830	414	635	414
Retirement Pension	174	347	97	211
Disablement Pension	14	18	66	24
Injury Benefit	12	72	21	127
Deserted Wife's Benefit	146	213	252	70
Pay Related Benefit	1	15	4	33
Unemployability Supplement	4	14	37	28
Treatment Benefit	10	107	10	118
Equal Treatment	3	1	52	73
	4,480	12,925	4,118	12,366

Table 12 - Social Assistance - Overpayments Recorded for Recovery

Scheme	1997		1996	
	Amount £'000	Cases	Amount £'000	Cases
Old Age and Blind Pensions (Non-Contributory)	4,977	959	5,441	936
Child Benefit	463	2,298	443	2,389
Unemployment Assistance	7,477	15,270	6,030	14,645
Pre-Retirement Allowance	644	257	621	263
Widows' and Orphans' Pension (Non-Contributory)	293	86	220	52
Deserted Wife's Allowance	39	14	36	8
Lone Parent (Prisoner's) Allowance	30	10	14	5
Family Income Supplement	393	965	396	973
Lone Parent (Unmarried) Allowance	1,374	995	1,296	756
Lone Parent (Separated) Allowance	318	271	139	103
Lone Parent (Widowed) Allowance	42	35	35	8
Carer's Allowance	41	65	10	32
Supplementary Welfare Allowance	1	4	0	0
Disability Allowance	40	95	0	0
One Parent Family Payments	79	298	0	0
Rent Allowance	3	6	0	0
Part-time Job Allowance	3	25	4	16
Back to Work Allowance	84	106	50	57
	16,301	21,759	14,735	20,243

39. Fraud or Suspected Fraud

During 1997, 11,185 cases amounting to £14.5m of overpayments were attributed to fraud or suspected fraud, compared to £13.6m in 10,560 cases in 1996 as indicated in Tables 13 and 14.

Table 13 - Social Insurance - Overpayments Attributed to Fraud or Suspected Fraud

Scheme	1997		1996	
	Amount £'000	Cases	Amount £'000	Cases
Disability Benefit	328	211	695	311
Maternity Benefit	2	3	2	3
Unemployment Benefit	986	2,890	759	2,486
Old Age (Contributory) Pension	7	7	2	2
Survivor's (Contributory) Pension	128	12	10	4
Invalidity Pension	447	96	528	161
Retirement Pension	27	5	4	2
Disablement Pension	4	1	14	4
Injury Benefit	3	19	11	56
Deserted Wife's Benefit	84	14	189	17
Pay Related Benefit	1	13	2	20
Unemployability Supplement	0	0	15	6
Equal Treatment	0	0	1	2
	2,017	3,271	2,232	3,074

Table 14 - Social Assistance - Overpayments Attributed to Fraud or Suspected Fraud

Scheme	1997		1996	
	Amount £'000	Cases	Amount £'000	Cases
Old Age and Blind Pensions (Non-Contributory)	3,872	445	4,391	556
Child Benefit	206	497	272	780
Unemployment Assistance	6,429	6,494	4,898	5,664
Pre-Retirement Allowance	430	83	523	99
Widows' and Orphans' Pension (Non-Contributory)	215	39	147	29
Deserted Wife's Allowance	21	2	22	5
Lone Parent (Prisoner's) Allowance	8	1	8	1
Family Income Supplement	167	81	227	96
Lone Parent (Unmarried) Allowance	886	148	799	203
Lone Parent (Separated) Allowance	137	22	79	24
Lone Parent (Widowed) Allowance	17	4	1	1
One Parent Family Payments	26	9	0	0
Disability Allowance	21	39	0	0
Supplementary Welfare Allowance	1	1	0	0
Carer's Allowance	8	3	2	5
Rent Allowance	2	2	0	0
Part-time Job Allowance	1	3	2	4
Back to Work Allowance	56	41	41	19
	12,503	7,914	11,412	7,486

40. Recovery of Overpayments

The cumulative position on overpayments is outlined in Table 15.

Table 15 - Overpayments

	1997 £'000	1996 £'000
Overpayments not disposed of at 1 January	35,082	31,423
Overpayments recorded for recovery	20,781	18,853
<i>Less:</i> Overpayments recorded in prior years cancelled	<u>301</u> <u>20,480</u>	<u>430</u> <u>18,423</u>
	55,562	49,846
<i>Less:</i> Sums recovered in cash	4,638	4,399
Sums withheld from current entitlements	4,274	3,311
Amounts written off as irrecoverable	<u>9,071</u> <u>17,983</u>	<u>7,054</u> <u>14,764</u>
Overpayments not disposed of at 31 December	37,579	35,082

The Department has stated that the recovery of overpayments once they have been raised is treated as debt management. The overall debt management strategy during 1997 involved the following priority activities:

- the setting up of a debt recovery function in each scheme, local office and health board area
- pursuing clients from scheme to scheme, where there is an outstanding overpayment
- identifying defaulters and taking appropriate follow-up action
- initiating recovery action when claimants take up work and there is an outstanding overpayment
- recourse to civil action where appropriate
- debt recovery guidelines were drawn up and adapted individually for scheme sections, local offices and health boards.

The Department also stated that:

- During 1997 to underpin the debt recovery effort, a business case for a central computerised overpayment system was prepared. However, due to other commitments, such as Year 2000 and the completion of the ISTS system, no further progress has been made to date. As an interim measure, a PC based system was developed for the Pension Services Office and tested during the year. The question of adapting the system for use in the other scheme areas was examined, and it is now planned to install the system in the other scheme sections during 1998.

- A total of 3,149 outstanding local office overpayments (value £1.2m) were extracted from the central overpayments system and forwarded to the relevant local offices for appropriate recovery action. These were cases of existing unemployment overpayments, designated as 'fraud' cases, where the debt was owed by persons with a current unemployment claim and from whom, it appeared, no recovery was being made. A further 2,913 cases where the overpayment was in excess of £2,500 (total value outstanding - £18.8m) and where the debtor was no longer in receipt of a social welfare payment were also issued for recovery action by the local offices. By 30 June 1998 some £371,000 was recovered in relation to 812 cases.

41. Prosecutions

The Department has informed me that:

- Any case involving abuse of the system is scrutinised with a view to taking legal proceedings. Prosecutions are taken against employers who fail to carry out their statutory obligations and persons who defraud the social welfare payments system. Prosecutions can be either by summary or indictment proceedings. Civil proceedings are taken to facilitate the recovery of scheme overpayments or collection of PRSI arrears, but are only contemplated where it has been established that the debtor has sufficient means to discharge the debt.
- During 1997, the Central Prosecutions Service (CPS) carried out a review of the entire business process involved in submitting and preparing cases for legal proceedings with a view to reducing the time taken to finalise these cases. As a result of new procedures adopted the objective of clearing scheme cases within specified time limits has been achieved in more than 90% of all cases processed by the section and the amount of prosecution traffic has increased significantly.
- 329 cases were processed by CPS during 1997. Of these, 245 cases (231 criminal and 14 civil), were forwarded to the Chief State Solicitor's Office for prosecution, of which 5 were forwarded to the Director of Public Prosecutions for consideration of indictment proceedings. The remaining 84 cases were not deemed suitable for prosecution. By comparison, 162 cases were processed in 1996, of which 106 were forwarded for prosecution and 56 cases were not deemed suitable.
- Of the criminal cases forwarded, 133 were for offences in relation to the receipt of Unemployment Assistance, 29 to the receipt of Unemployment Benefit, 6 to the receipt of Disability Benefit, 2 to the receipt of One Parent Family payments and 61 were in relation to offences committed by employers.

- The prosecution outturn for 1997 is outlined in Table 16

Table 16 - Results of Court Cases finalised in 1997

Result	Unemployment Assistance	Unemployment Benefit	Disability Benefit	Family Income Supplement	One Parent Family Payment	Employers	TOTAL
Fined	31	11	3	-	-	30	75 ^a
Community Service	2	-	-	-	1	1	4
Imprisonment	6	-	-	1	-	-	7 ^b
Probation Act	5	4	2	-	1	3	15
Proven/No Penalty	3	2	2	-	1	10	18
Total	47	17	7	1	3	44	119 ^c

^a Value of fines imposed was £17,895

^b 6 Subsequently suspended.

^c No civil case finalised in 1997.

- An inhouse group was set up to examine if changes are needed in the range of measures available to the Department to enable it to be more effective in the fight against social welfare fraud.

42. Control Activities and Measures to Combat Fraud

The aim of the Department's control policy is to keep fraud and abuse to an absolute minimum, by promoting control as an essential element of the day-to-day work of the Department. There are some 600 staff working on control activities, both in Local Offices and Scheme Sections, including specific investigation units which work at local, regional and national level. These units, one of which works in conjunction with Revenue staff, carry out inspections of employers in relation to their PRSI obligations, investigate cases of concurrent working and claiming of social welfare payments, review recipients' means for assistance payments purposes and monitor ongoing entitlements to social welfare payments.

The Department informed me that during 1997, control and other anti-fraud measures included the following:

General

- 465,000 claim reviews were carried out and 7,700 employers were visited to check PRSI compliance and that employees were not working and claiming.

Unemployment payments

- The control effort in relation to unemployment payments resulted in estimated savings amounting to £76m (£59m in 1996). These savings represent the estimated future reductions arising as a result of the control action.
- Reviews of means tested payments are undertaken where there are indications of changes in a person's circumstances or where there is a potential for increased income from

employment or self-employment. Where deemed necessary, a full review of all other aspects of the claim is carried out. During 1997, 86,096 means reviews were carried out, 17% of which resulted in reductions in payment or termination of entitlement giving rise to estimated savings of £31m.

- Persons in receipt of unemployment payments are checked on an ongoing basis by the external control unit to verify continued compliance with such requirements as being capable of, available for, and genuinely seeking work. A total of 45,959 recipients were interviewed, as a result of which 7,056 (15%) signed off the live register. The estimated savings from this activity amounted to £19m.
- The Special Investigation Unit investigates employers and employees where abuses of the social welfare system are suspected. They also deal with reports where individual cases of fraud and abuse are alleged. These reviews are targeted on the basis of reports received from local offices, other investigations, the Gardaí, the general public and from their own local knowledge. A total of 21,231 reviews of employees were carried out during 1997. As a result 3,485 (16%) people signed off the live register giving savings of £11m.
- Savings in unemployment payments arising from counter staff activity in local offices were estimated at some £11.5m during 1997.
- The special focus on unemployment payments which was introduced in 1996 was continued, and the local area control teams co-ordinated all the activities and resources in relation to the control of the live register at local level.
- Small specialised units of inspectors deal specifically with employers in certain industries. A key element of their work is to check for working and claiming on the part of employees. Arising from their activities estimated savings of £2m in unemployment payments were achieved.
- A programme was put in place to review long-term unemployed claimants so as to ensure that they are fully aware of the support services available to assist in their return to work. The primary focus of job facilitators is on the needs of the unemployed and lone parents. Their main role is to inform and encourage these groups to avail of a wide range of incentives and initiatives to rejoin the workforce. As a result of being called for interview by job facilitators, a total of 113 persons ceased signing on the live register, resulting in savings of £300,000.
- All 18/19 year olds on the live register for more than 6 months were required to register with FÁS. Those who failed to do so, or who failed to accept or complete a programme, were identified and their continued payment of unemployment assistance or benefit was reviewed.
- Improvements were made in the flow of information between all of the agencies dealing with employment and / or unemployment matters - Social Welfare, FÁS, Local Employment Services, Area Based Partnership Companies, Revenue, Health Boards.

- Extra places were allocated to the back to work allowance scheme as it is regarded as a good incentive in encouraging the long-term unemployed to get back into the workforce and reduce the potential for abuses of the Social Welfare system.

Employer Notifications

- The Employer Notification System holds details relating to the commencement of employment by employees and sub-contractors in certain specified industries, as required by legislation. Returns are made to the nearest local office where a minimum of 10% are checked. Notifications received for 1997 increased by 11% over 1996. Returns increased in all sectors, except the forestry industry. In addition to the private transport industry, the most significant increases arose in the security, road haulage, licensed bar trade and catering sectors.
- Regulations were introduced with effect from April 1997 requiring employers engaged in the meat processing industry to notify the Department when engaging new employees or sub-contractors. The time limit for all industries in notifying the Department was reduced from 28 to 14 days.
- All employer notifications are matched against the Central Records system to identify potential cases of concurrent working and claiming. As a result of this exercise 1,199 cases were sent for investigation during 1997. Reports on 512 of these cases were received to the end of the year, resulting in estimated savings of £84,500.

Employer Inspections

Employer inspections carried out by the Department's inspectors comprise a number of tasks -

- detailed examination of employer records to ensure that accurate records of employees are being maintained and that correct PRSI payments are being made in respect of all their employees
- checks to ensure that employees are not concurrently working and claiming social welfare payments
- checks to ensure that the correct class of PRSI is being deducted and remitted
- outlining employers' responsibilities with regard to Social Welfare legislation
- general advice and information to employers on matters such as the operation of the PRSI system, incentives available to employers, the correct classes of contributions and employees' entitlements.

In 1997 a total of 7,742 inspections were carried out resulting in estimated savings of £23m, comprising £10m in PAYE/PRSI underpayments detected and £13m in estimated scheme savings, mainly unemployment payments. Returns compiled from inspections carried out showed that, of the employers inspected, 82% were found to be compliant, in comparison to 81% for 1996.

Illness Payments

- Control activity in the illness payments area resulted in savings of £30.3m in 1997 (£25m in 1996). Referral of recipients for medical examination yielded savings of £26.13m with the remaining £4.18m coming from other control activity.
- A total of 59,282 recipients were called for a medical review examination as follows:

Examined		
- capable of work	8,886	
- incapable of work	<u>32,287</u>	41,173
Did not attend for examination		
- submitted final certificates	10,358	
- certified unfit to attend	566	
- submitted excuses	<u>5,252</u>	16,176
Attended but not examined *		1,933
Total		59,282

* Claimants attended but were not examined for various reasons e.g. late for appointment.

Pensions

- Some 38,000 reviews of entitlement were carried out by regional investigators in respect of schemes operated by the Pension Services Office (PSO).
- The Estate Case Recovery Unit, which was set up in 1993 by the PSO, continued to monitor the estates of deceased pensioners with a view to identifying those who had failed to disclose means. In 1997 a total of £4.76m was set up in overpayments, of which £3.66m (77%) was collected. Cases where solicitors failed to comply with legal requirements, or where agreement could not be reached on the debt due to the Department, are referred to Central Prosecutions Service for necessary action. The Law Society was asked for its assistance in recovering overpayments of pensions in 11 cases where the estate of the deceased person was distributed by the solicitor acting for the estate without prior notification to the Department of the intention to distribute the assets.
- A review of 4,994 Old Age Pension claims was carried out to determine if the claimant's rate of payment was affected by the new capital means assessment which was introduced in the 1997 Budget. As a result 876 payments were reduced and 80 terminated.

Lone Parents' Payments

- The Maintenance Recovery Unit in the PSO determines the liability on the part of the spouse / partner of a lone parent recipient to make contributions to the Department and pursues such recoveries. Some £676,000 was received during the year from 479 contributors.
- During 1996 the General Registrar's Office provided the Department with a computer tape of all the marriage records for 1993 / 1994. This tape was matched against the PSO's database of lone parents and cases where the lone parent was married were identified. Work continued on the project during 1997, resulting in estimated savings of £642,000 from 23 cases.

Child Benefit

Some 32,800 claimants had their entitlement to payment of Child Benefit reviewed. As a result of these reviews a total of 2,167 recipients had their entitlements to payment either terminated or reduced.

Pre Retirement Allowance (PRETA)

Reviews of transfers to the PRETA scheme and reviews of the capital means of those already in receipt of PRETA resulted in 357 reductions in payment, 28 terminations of payment and 38 terminations of the free fuel allowance.

Family Income Supplement (FIS)

FIS differs markedly from most other Social Welfare schemes in that it is paid to people in employment, and once awarded correctly, the rate of payment remains constant for 52 weeks despite any change in circumstances. After this period clients may re-apply. Because of the way the scheme is operated, all cases are reviewed annually. In addition, in-depth reviews of selected cases take place on a regular basis. Selection may be random or targeted. During 1997, 14,944 reviews were carried out giving savings of £200,000 in 777 cases.