

VOTE 40 - SOCIAL, COMMUNITY AND FAMILY AFFAIRS

35. Overpayments

The Department of Social, Community and Family Affairs administers some 50 social assistance and social insurance schemes, with 1998 expenditure amounting to £2.54bn and £1.96bn, respectively. During 1998 the annual expenditure on these schemes increased by 4.9%. As indicated in the following tables, during 1998, some 35,951 cases (34,684 in 1997) amounting to £22.22m (£20.78m in 1997) in overpayments were recorded for recovery.

Table 6 - Social Insurance - Overpayments Recorded for Recovery

Scheme	1998		1997	
	Amount £'000	Cases	Amount £'000	Cases
Disability Benefit	738	1,650	1,005	2,248
Maternity Benefit	9	27	5	17
Unemployment Benefit	1,840	10,292	1,523	8,576
Old Age (Contributory) Pension	199	462	308	491
Widow/er's (Contributory) Pension	356	544	445	392
Invalidity Pension	601	326	830	414
Retirement Pension	189	352	174	347
Disablement Pension	71	11	14	18
Injury Benefit	11	63	12	72
Deserted Wife's Benefit	94	71	146	213
Pay Related Benefit	2	6	1	15
Unemployability Supplement	26	14	4	14
Treatment Benefit	6	79	10	107
Equal Treatment	-	-	3	1
	4,142	13,897	4,480	12,925

Table 7 - Social Assistance - Overpayments Recorded for Recovery

Scheme	1998		1997	
	Amount £'000	Cases	Amount £'000	Cases
Old Age and Blind Pensions (Non-Contributory)	6,218	1,090	4,977	959
Child Benefit	582	2,408	463	2,298
Unemployment Assistance	8,018	16,233	7,477	15,270
Pre-Retirement Allowance	195	126	644	257
Widows' and Orphans' Pension (Non-Contributory)	411	87	293	86
Deserted Wife's Allowance	28	14	39	14
Lone Parent (Prisoner's) Allowance	6	5	30	10
Family Income Supplement	283	846	393	965
Lone Parent (Unmarried) Allowance	1,299	371	1,374	995
Lone Parent (Separated) Allowance	231	119	318	271
Lone Parent (Widowed) Allowance	33	10	42	35
Carer's Allowance	50	88	41	65
Supplementary Welfare Allowance	58	52	1	4
Disability Allowance	193	213	40	95
One Parent Family Payments	218	201	79	298
Fuel Allowance	67	3	-	-
Rent Allowance	-	-	3	6
Part-time Job Allowance	5	15	3	25
Back to Work Allowance	184	173	84	106
	18,079	22,054	16,301	21,759

36. Fraud or Suspected Fraud

During 1998 a total of 14,193 cases amounting to £10.7m of overpayments were attributed to fraud or suspected fraud as compared to £14.5m in 11,185 cases in 1997. This fall of £3.8m was principally due to a change in the way the Department classified overpayments arising from the finalisation of the estates of deceased non-contributory old age pensioners. Prior to 1998, such overpayments were deemed to be attributable to fraud or suspected fraud.

Table 8 - Social Insurance - Overpayments Attributed to Fraud or Suspected Fraud

Scheme	1998		1997	
	Amount £'000	Cases	Amount £'000	Cases
Disability Benefit	305	182	328	211
Maternity Benefit	-	-	2	3
Unemployment Benefit	1,311	4,510	986	2,890
Old Age (Contributory) Pension	-	-	7	7
Widower's (Contributory) Pension	154	18	128	12
Invalidity Pension	358	74	447	96
Retirement Pension	1	3	27	5
Disablement Pension	2	1	4	1
Injury Benefit	1	6	3	19
Deserted Wife's Benefit	28	8	84	14
Pay Related Benefit	2	6	1	13
Unemployability Supplement	7	2	-	-
	2,169	4,810	2,017	3,271

Table 9 - Social Assistance - Attributed to Fraud or Suspected Fraud

Scheme	1998		1997	
	Amount £'000	Cases	Amount £'000	Cases
Old Age and Blind Pensions (Non-Contributory)	22	10	3,872	445
Child Benefit	267	565	206	497
Unemployment Assistance	6,935	8,385	6,429	6,494
Pre-Retirement Allowance	65	19	430	83
Widows' and Orphans' Pension (Non-Contributory)	41	5	215	39
Deserted Wife's Allowance	4	2	21	2
Lone Parent (Prisoner's) Allowance	5	1	8	1
Family Income Supplement	43	31	167	81
Lone Parent (Unmarried) Allowance	756	117	886	148
Lone Parent (Separated) Allowance	72	18	137	22
Lone Parent (Widowed) Allowance	22	5	17	4
One Parent Family Payments	93	55	26	9
Disability Allowance	34	28	21	39
Supplementary Welfare Allowance	54	33	1	1
Carer's Allowance	3	7	8	3
Fuel Allowance	1	2	-	-
Rent Allowance	-	-	2	2
Part-time Job Allowance	4	4	1	3
Back to Work Allowance	119	96	56	41
	8,540	9,383	12,503	7,914

37. Recovery of Overpayments

The cumulative position on overpayments is outlined in Table 10.

Table 10 - Overpayments

	1998 £'000	1997 £'000
Overpayments not disposed of at 1 January	37,579	35,082
Overpayments recorded for recovery	22,221	20,781
Less: Overpayments recorded in prior years cancelled	<u>378</u> <u>21,843</u>	<u>301</u> <u>20,480</u>
	59,422	55,562
Less: Sums recovered in cash	5,335	4,638
Sums withheld from current entitlements	3,880	4,274
Amounts written off as irrecoverable	<u>7,978</u> <u>17,193</u>	<u>9,071</u> <u>17,983</u>
Overpayments not disposed of at 31 December	42,229	37,579

38. Prosecutions

Cases involving abuse of the system are 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. Such cases are only contemplated, however, where it has been established that the debtor has sufficient means to discharge the debt.

During 1998, 234 criminal and 9 civil cases were forwarded to the Chief State Solicitor's Office for prosecution. Of the criminal cases forwarded, 117 were for offences in relation to the receipt of Unemployment Assistance, 34 to the receipt of Unemployment Benefit, 10 to the receipt of Disability Benefit, 2 to the receipt of Invalidity Pension, 13 to the receipt of One Parent Family payments, 1 to the receipt of Family Income Supplement and 57 were in relation to offences committed by employers.

A total of 117 prosecutions of persons who attempted to obtain or obtained benefits/assistance fraudulently were finalised in court in 1998. The total amount of overpayments assessed in these cases was £411,510. The results of the court cases and the penalties imposed are given in the following table.

Table 11 - Results of Court Cases finalised in 1998

	Cases Fined	£	Community Service	Imprison- ment	Probation Act	Proven/ No Penalty
Unemployment Assistance	48	12,460	13	7	14	9
Unemployment Benefit	8	1,460	-	1	6	3
Disability Benefit	3	175	-	-	2	-
Family Income Supplement	-	-	-	-	-	-
One Parent Family Payments	-	-	1	-	1	1
Total	59	14,095	14	8*	23	13

** 5 subsequently suspended*

In addition the prosecutions of 43 employers were also finalised - with 37 being fined (value £13,050), 1 receiving a prison sentence, 4 got the benefit of the Probation of Offenders Act with the remaining 1 proven with no penalty imposed. There was no civil case finalised during the year.

39. Equal Treatment Arrears

Reference was made in my 1995 report to the payment of £300m in equal treatment arrears to 79,000 claimants following the 1995 High Court ruling regarding the delay in implementing the EU Directive on equality treatment for men and women in social security. I also referred to overpayments arising due, *inter alia*, to insufficient checks being carried out by the Department in relation to RSI numbers and decisions being taken on claims for arrears where information was incomplete. I reviewed the recovery status of the overpayments during 1998 and the following table summarises the position.

Table 12 - Overpayments

Overpayments	Cases	£
Determined	<u>2,674</u>	<u>1,900,000*</u>
Recovered	396	100,000
Written off	500	300,000
Cancellation of Recovery	<u>1,778</u>	<u>1,500,000</u>
	<u>2,674</u>	<u>1,900,000</u>

* the highest amount was £13,212

The Accounting Officer informed me that:

- When claims were being reviewed after the issue of payments on account in July/August 1995 following the Court ruling, any amount overpaid to the claimant, including non-equal treatment overpayments, was deducted from the balance of arrears due. Where there was no balance, or insufficient balance, available to recover the overpayment, the relevant solicitor was informed of the outstanding overpayment in court cases and the claimant was notified directly in non-court cases. A number of legal questions arose in relation to the Department's power to recover overpayments from arrears. These questions were only resolved late in 1996. This enabled the appropriate arrangements to be put in place, including the application of the legal provisions and the Code of Practice for the recovery of overpayment, where appropriate.
- Overpayments are submitted to the Department of Finance for approval to be written off by request of the departmental line division or automatically after 3 years by virtue of there being no action on the recovery.
- The cancellations arose in cases where the Social Welfare (Code of Practice on the recovery of overpayments) Regulations, 1996, could be applied. The repayment of each of those outstanding overpayments was examined by an authorised officer. As these overpayments arose as a result of errors by the Department and as the claimants could not reasonably have been expected to be aware of the errors, the repayment of the overpayment was cancelled. The persons concerned, however, were not notified as to the overpayment, as the Department took the view that it was unnecessary to do so having regard to the decision that the amount to be repaid had been cancelled and the fact that the primary purpose of notifying the person would have been to secure his or her views on any proposed repayment. Where the repayment of the overpayment was cancelled, the sanction of the Department of Finance to write off these amounts has been sought.

- The total expenditure on equal treatment arrears over the years amounted to £300m and the overpayments determined represent less than 1% of the total expenditure. Given the circumstances surrounding the introduction of equal treatment payments, the complexities involved, the incomplete data available, and the urgency with which the administration of claims was required to be dealt with, the Department took all possible steps to minimise the incidence of overpayments and to deter fraudulent claims.

40. Miscellaneous Grants

The Department operates various schemes where qualifying persons are entitled to claim benefits in relation to certain household charges *viz.*

- The Free Electricity Allowance is available to people in receipt of certain Social Welfare pensions or other specified payments. Once approved the information is passed electronically to the ESB and the appropriate credit appears on the applicant's ESB bill. The ESB submits monthly invoices to the Department together with summaries of information on the number of customers and charges relating to the scheme.
- In the same manner applications for Free Telephone Rental Allowance are processed by the Department and the information is passed on tape to Telecom Éireann. Telecom Éireann invoices the Department on a monthly basis and provides the Department with information on customers and charges relating to the scheme.
- The Department processes applications for Free Television Licences. The applicant presents proof of entitlement directly to An Post, which issues the licence. An automated renewal system is in operation to process subsequent licences to qualifying applicants. An Post submits a monthly invoice to the Department in relation to free TV licences issued.

The 1998 expenditure under the Free Electricity Allowance, Free Telephone Rental Allowance and Free TV Licence schemes amounted to some £30.4m, £28.9m and £15.4m, respectively. Overcharging by and overpayments to these bodies by the Department was referred to in Paragraph 50 of my 1995 Report. I reviewed the follow up of this matter during my 1998 audit with the following results.

- With regard to the Free Electricity Allowance it was noted that 409 cases where the same Department reference number appeared on two ESB customer accounts making up the monthly invoice, remained to be reviewed and consequently no amounts had been recovered from the ESB in respect of this category. There were a further 110 cases identified where no departmental reference existed in respect of clients on the ESB file and a total of £92,384 was estimated to have been overcharged in these cases. This overcharge had not been recovered at the time of my audit.

The Accounting Officer informed me that overpayments estimated at £146,000 occurred in 383 of the cases of duplicate records. These arose as a result of a data transmission problem on the Department's side and in respect of which the ESB accepts no responsibility. Of the 110 cases where no departmental reference existed on the ESB records the estimated overpayment was relayed to the ESB for examination. Following this, the estimate was revised and overpayments were agreed at £77,549. The ESB has refunded

£37,846 in settlement of the amounts overpaid (agreement on 50-50 responsibility for the overpayments in 63 cases (£27,631) plus 21 cases (£10,215) where the ESB accepted full responsibility). In the remaining 26 cases which arose due to the problems with data transmission the ESB accepted no responsibility (£12,072).

The ESB now submit a supporting reconciliation printout with each monthly invoice which identifies cases of duplicate ESB account numbers and cases with no client number and these are corrected immediately.

- As regards the Free Telephone Rental allowance it was noted that the Department had failed to comprehensively examine the billing data for the period June 1992 to December 1995 using existing procedures. Moreover, cases which did not have a social welfare client number, identified in a data matching exercise in relation to the January 1996 billing period, had not been reviewed by the Department.

The Accounting Officer informed me that given other work pressures and limited resources it has not been possible to apply the automatic check system retrospectively prior to 1994 or to applying the enhanced check program to listings prior to 1996. The unchecked data covers a period of 21 months. Based on the average overcharge in the 63 months which have been checked to date the estimated overcharge for periods in respect of which billing records were available but which remain unchecked by the Department is £75,000.

With regard to the elaborate data matching procedure the Accounting Officer stated that cases where Telecom Éireann had no record of a Social Welfare client number carried the greatest exposure of overpayment. In 1996 a total of 603 such cases were identified of which 9.6% (58 cases) were not entitled to the allowance. These were terminated from a current date but any potential overcharges relating to these remain to be resolved with Telecom Éireann. The Department extracted a new listing in March 1999 along the same lines as the 1996 extract. This has produced a further 410 cases where Telecom Éireann have no record of a departmental client number and these are being examined at present.

- As regards the Free Television Licence scheme a new system, introduced with effect from May 1997, provided that An Post would verify in advance with the Department the cases in respect of which it intends to automatically issue free renewal licences. This is in operation but it was noted on audit that the monthly bill from An Post was not verifiable using the automated renewal system. The Department's Internal Audit Unit (IAU) was requested by line management in the Free Schemes area to assist in the investigations they had initiated as a result of apparent discrepancies which had been detected in the February 1998 invoice from An Post. The Internal Audit report of January 1999 indicated that overpayments were arising.

The Accounting Officer informed me that monitoring of the arrangements for the automation of licence renewals suggested teething problems which required to be investigated. The enquiries indicated overcharging due to deficiencies in the operation of the arrangements.

Some matters are being examined by An Post while an overcharge of £19,722 has been refunded.

Regarding the extent to which the weaknesses identified in the IAU report have

overcharging implications for other billing periods the Accounting Officer stated that it was not possible to estimate the possible overcharging without carrying out a similar detailed examination. Efforts have been concentrated on eliminating the weaknesses identified in the IAU report. Up to the time of the report the monthly invoices from An Post had been accepted at face value without any attempt to reconcile against departmental records other than a check on the overall invoice amount against normal trends.

He added that technology constraints within An Post and the Department had delayed development for complete reconciliation of the monthly invoice submitted to the Department. The next stage of this development work is to automate the production of first TV licences which are presently issued manually.

The Accounting Officer also stated that regarding unrecovered overpayments in respect of these schemes the Department has a policy that recoupment of any overpayments detected are sought from the relevant body. In so doing the Department has to take account of any contributory factor on its own side which could have had a bearing on the overpayment. The question of resource allocation to overpayment detection and recovery is a matter for continual review.

Year	Amount
1990	100
1991	100
1992	100
1993	100
1994	100
1995	100
1996	100
1997	100
1998	100
1999	100
2000	100
2001	100
2002	100
2003	100
2004	100
2005	100
2006	100
2007	100
2008	100
2009	100
2010	100
2011	100
2012	100
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2016	100
2017	100
2018	100
2019	100
2020	100
2021	100
2022	100
2023	100
2024	100
2025	100
2026	100
2027	100
2028	100
2029	100
2030	100