

## 10 Regularity of Social Welfare Payments

- 10.1** The Department of Social Protection (the Department) is required to ensure that the expenditure it incurs has been applied for the purposes for which the money was made available by Dáil Éireann, and that its financial transactions conform with the authorities under which they purport to have been carried out. Financial transactions are considered to be 'regular' when both of these conditions are satisfied.
- 10.2** Payments in excess of entitlement under the terms of welfare schemes are 'irregular'. Such payments can arise due to
- claimant fraud – where the claimant intentionally provides incomplete or inaccurate information in order to receive benefits, or deliberately fails to inform the Department of relevant changes in circumstances
  - claimant error – which arises when the claimant has provided inaccurate or incomplete information, or failed to report a relevant change in circumstances (such as an increase in means or a change in medical condition), but there is no clear fraudulent intent on the claimant's part
  - departmental or administrative error – where benefits are paid incorrectly due to inaction, delay or mistakes made by the Department's staff.
- 10.3** I have referred in my audit certificates on the 2013 Appropriation Account for Vote 37 and the 2013 Account of the Social Insurance Fund to the level of irregularity of scheme payments, which I consider to be material in the context of each account.

### Fraud and Error Surveys

- 10.4** The Department undertakes fraud and error surveys of social welfare schemes. The surveys involve reviews of a random sample of claims in payment to establish if the claimant is entitled to a payment and if so, whether the correct amount is being paid. The surveys assist the Department in identifying scheme risks and the need for any changes to the control measures in place.
- 10.5** The Department has set out its programme of fraud and error surveys to be carried out over the next five years in its Compliance and Anti-Fraud Strategy 2014 – 2018 which was published in April 2014. Two surveys which had been scheduled for 2013 are now planned to be undertaken in 2014 – illness benefit and invalidity pension.

## Estimates of Level of Fraud and Error

**10.6** Because fraud and error surveys are focused on randomly selected cases in payment, the survey results provide a basis for estimating the underlying level of payments in excess of entitlement – whether due to fraud or error – for each scheme surveyed.

**10.7** Figure 10.1 sets out estimates of the scale of fraud and error for schemes where surveys have been carried out.

**Figure 10.1 Estimated level of fraud and error in surveyed schemes**

Account and scheme	Year of survey <sup>a</sup>	Estimated level of fraud and error		Scheme cost 2013 €m
		Scheme <sup>b</sup>	Department <sup>c</sup>	
<b>Vote schemes</b>				
Family Income Supplement	2005	3.3%	n/a	262
State Pension (non-contributory)	2007	1.9%	n/a	952
Jobseeker's Allowance	2012	4.6%	3.1%	3,109
Disability Allowance	2010	18.4%	4.1%	1,141
One-Parent Family Payment	2011	7.1%	2.7%	978
Child Benefit	2012	0.5%	0.5%	1,900
Rent Supplement	2013	6.0%	5.0%	373
<b>Social Insurance Fund schemes</b>				
Illness Benefit	2006	0.4%	n/a	649
State Pension (contributory/transition)	2008	1.1%	n/a	4,121
Jobseeker's Benefit	2011	2.5%	1.6%	560
Widows'/Widowers'/Surviving Civil Partners' Contributory Pension	2013	0.8%	0.7%	1,350

Source: Department of Social Protection

Notes: a Base year for latest scheme survey. More than one survey has been undertaken for some schemes.

b Includes cases which were subsequently successfully appealed.

c Net loss to welfare system taking account of cases where disallowed scheme claims are succeeded by claims/dependent payments on other schemes or where appeals are successful. The survey reports do not disaggregate these two categories.

**10.8** Welfare schemes are funded through the Vote for Social Protection and the Social Insurance Fund (SIF). Vote funded schemes are mainly in the nature of social assistance, often based on means tests. SIF schemes are generally in the nature of social insurance in that eligibility is dependent on the level of the claimant's PRSI contributions.

### Vote Funded Schemes

- 10.9** There is wide variation in the level of fraud and error found by surveys of Vote funded schemes. Apart from child benefit which is a universal payment (i.e. not means tested), the estimates range from 1.9% of scheme expenditure in the case of the non-contributory State pension to 18.4% for the disability allowance scheme. Surveys in more recent years include an adjustment to the estimate to take account of cases successfully appealed or found to be ineligible for the scheme surveyed but entitled to a payment under another scheme, either as the claimant or as a dependent. In the case of the disability allowance scheme, this adjustment reduces the estimate to a net fraud and error rate of 4.1%.
- 10.10** The surveyed Vote schemes account for €8.7 billion of 2013 expenditure. The extent of fraud and error in schemes that have never been surveyed and which account for a further €2.6 billion of expenditure, is not known.

### SIF Funded Schemes

- 10.11** There is also variation in the level of fraud and error in the four SIF schemes surveyed. Estimates range from 0.4% for illness benefit to 2.5% for jobseeker's benefit. The State pension (contributory/transition) and jobseeker's benefit schemes accounted for 56% of the €8.4 billion SIF scheme expenditure in 2013. These schemes each have estimated levels of fraud and error in excess of 1% of expenditure.

### Latest Survey Results

- 10.12** The Department has completed fraud and error surveys of three schemes in the past year – jobseeker's allowance, rent supplement and widows'/widowers'/surviving civil partners' contributory pension. An analysis of the results of those surveys is set out in Figure 10.2.

**Figure 10.2 Estimated level of fraud and error – latest survey results**

	Percentage of scheme payments, by value		
	Scheme fraud and error rate	Reinstated or transferred claims	Net fraud and error rate
<b>Jobseeker's Allowance</b>			
Due to fraud	1.5%	0.1%	1.4%
Due to error	3.1%	1.4%	1.7%
<b>Total</b>	<b>4.6%</b>	<b>1.5%</b>	<b>3.1%</b>
<b>Rent Supplement</b>			
Due to fraud	3.2%	0.3%	2.9%
Due to error	2.8%	0.7%	2.1%
<b>Total</b>	<b>6.0%</b>	<b>1.0%</b>	<b>5.0%</b>
<b>Widows'/Widowers'/Surviving Civil Partners' Contributory Pension</b>			
Due to fraud	0.3%	0.1%	0.2%
Due to error	0.5%	–	0.5%
<b>Total</b>	<b>0.8%</b>	<b>0.1%</b>	<b>0.7%</b>

Source: Fraud and Error Survey Reports, Department of Social Protection, June/July 2014

### ***Jobseeker's Allowance***

- 10.13** Jobseeker's allowance is a payment to unemployed people aged between 18 and 66. In order to qualify, they must satisfy a means test and must be
- habitually resident in the State
  - capable of working, and
  - available for and genuinely seeking work.
- 10.14** At the end of 2013, there were 295,000 recipients of jobseeker's allowance. Expenditure in 2013 amounted to just over €3.1 billion.
- 10.15** A random sample of 1,000 cases in payment in September 2012 was selected for review as part of the fraud and error survey. Ultimately, 987 cases formed the basis for the survey as reviews of 13 cases were not concluded in time for inclusion in the survey results. The survey took a total of 21 months to complete.
- 10.16** The extent of fraud and error identified by the survey represented 4.6% of expenditure. The previous survey of jobseeker's allowance in 2009 identified a fraud and error rate of 3.1%.
- 10.17** When account is taken of cases successfully appealed or transferred to other social welfare schemes, the net rate of fraud and error in the latest survey is 3.1%. This was measured 12 months after the survey commenced.
- 10.18** Based on the survey results, the Department estimated that the weekly gross amount of fraud and error under the jobseeker's allowance scheme was €2.68 million.<sup>1</sup>
- 10.19** Of the 987 cases included in the survey results
- 85% were assessed as requiring no change to their payment
  - customer errors were identified in 119 cases
  - departmental errors were identified in nine cases
  - fraud was suspected in 21 cases.
- 10.20** The cases of suspected fraud involved
- failure to provide documentation requested
  - means in excess of limits identified
  - claimant not available for work (for example, living abroad)
  - claimant found not to be entitled to dependent adult payment.

<sup>1</sup> The survey report noted a 95% confidence interval range from €1.9 million to €3.4 million.

- 10.21** The survey identified casual claimants (i.e. those who found work for a day or two at a time) as one of the higher risk groups. It estimated that the level of fraud and error for the population of casual claimants was around 6.8%. The survey recommended
- an acceleration of the roll-out of the 'scanning project' for casual claimants whereby a claimant's work pattern is verified by their employer in advance of payment certification
  - active follow up of claimants where employer details are not furnished for scanning.
- 10.22** The Accounting Officer has indicated that scanning is now in place for 65% of all casual claimants and that its roll-out to the full casual claim load is being actively progressed.

### ***Rent Supplement***

- 10.23** Rent supplement is part of the supplementary welfare allowance scheme and available to people living in private rented accommodation who cannot provide for the cost of their accommodation from their own resources. The rented accommodation must be suitable for the claimant's needs, the rent payment should be below the maximum rent limit set by the Department and the claimant must satisfy a means test.
- 10.24** Expenditure on rent supplement in 2013 amounted to €373 million and at the end of 2013, there were some 80,000 recipients.
- 10.25** A random sample of 1,000 cases in payment in March 2013 was selected for review as part of the fraud and error survey. The survey took 16 months to complete.
- 10.26** Claims with commencement dates in 2013 were excluded from the survey as these were considered to have been recently assessed. The Department has since decided, following a review of its sampling procedures, that recently awarded cases will not be excluded from future surveys.
- 10.27** The gross rate of fraud and error identified by the survey was 6% of expenditure. When account is taken of cases successfully appealed or transferred to other social welfare schemes, the net rate of fraud and error is 5%. The estimate of excess payment for the UK housing benefit scheme, which is similar to rent supplement, is 5.8%.<sup>1</sup> The UK report also identified underpayments to claimants amounting to 1.6% of the entitlement due.
- 10.28** The Department estimated that the weekly gross amount of fraud and error under the rent supplement scheme was almost €390,000.<sup>2</sup>
- 10.29** Of the 1,000 cases included in the survey
- 84% were found to be in order
  - customer errors were identified in 55 cases
  - departmental errors were identified in 67 cases
  - 38 cases of suspected fraud were identified.

<sup>1</sup> *Fraud and Error in the Benefit System: Preliminary 2013/14 Estimates*, Department for Work and Pensions, May 2014.

<sup>2</sup> The survey report noted a 95% confidence interval range from €289,000 to €491,000.

**10.30** The majority of suspected fraud cases arose because

- the claimant failed to respond to the survey and the subsequent termination of the claim
- the review identified that the claimant had moved
- previously undisclosed means were identified.

**10.31** Departmental analysis of the survey results identified two factors as having the most influence on the likelihood of a case being non-compliant with scheme conditions

- the division of the Department dealing with the case – the divisions with the highest percentage of fraud and error cases were Dublin Central (32%) and Midlands North (25%) while the average across all divisions was 16%
- to whom the payment was made – cases paid directly to the client had an 18% rate of fraud and error while those paid to a nominated person (usually the landlord) had a 10% rate.

**10.32** The survey recommended that

- while the value of departmental errors identified was low, errors in the calculation of rent supplement should be addressed as a priority. In that regard, clarification on rent supplement calculations has already issued and guidance on specific issues is expected to be rolled out before the end of 2014
- efforts should continue to ensure that customers are aware of the conditions of the scheme and of their obligation to report any change in circumstances
- forms issued to customers should stress the implications of providing false information or concealing information
- the supplementary welfare allowance best practice manual should be reviewed to reflect the survey results and current review practices, and the survey findings should be incorporated into training initiatives.

***Widows'/Widowers'/Surviving Civil Partners' Contributory Pension***

**10.33** Widows'/widowers'/surviving civil partners' contributory pension is a weekly payment to the husband, wife or civil partner of a deceased person. It is based on the social insurance record (PRSI) of either the claimant or their late spouse or civil partner. In order to qualify, a person must not be cohabiting.

**10.34** Allowances may also be payable for living alone, fuel and where the claimant is over 80. These increases have additional qualifying conditions which must be satisfied.

**10.35** At the end of 2013, there were 117,000 recipients and total expenditure in 2013 was €1.3 billion.

**10.36** A random sample of 1,000 claims in payment in August 2013 was selected for review as part of the fraud and error survey. The survey results are based on 947 cases as reviews of 39 cases were not concluded in time for inclusion in the survey results and 14 cases were deceased. The survey was completed in just under one year.

**10.37** Irish resident claims were reviewed by social welfare inspectors while claimants living outside the State were asked to complete a certificate confirming their continuing eligibility for the scheme.

- 10.38** The gross rate of fraud and error identified was 0.8% of expenditure. The net rate, after taking account of cases successfully appealed or transferred to other social welfare schemes is 0.7%.
- 10.39** The Department estimated the gross amount of fraud and error in the scheme at almost €190,000 per week.<sup>1</sup>
- 10.40** Of the 947 cases included in the survey results
- 92% were found to be in order
  - 37 cases were identified as having customer errors
  - departmental errors were found in 36 cases
  - four cases of suspected fraud were identified.
- 10.41** The four suspected fraud cases arose due to cohabitation, re-marriage, or non-disclosure of means in respect of entitlement to fuel allowance.
- 10.42** The majority of error cases related to the payment of one or more of the additional allowances. The survey noted that the majority of these cases arose because of a change in the claimant's living arrangements (either by moving into a nursing home or a change in household composition) resulting in a loss of entitlement to the allowance.
- 10.43** The survey identified the higher risk groups as claimants with fuel allowance and non-resident claimants.

### ***Classification of Cases***

- 10.44** The objective in reviewing sampled cases is to establish whether the claimant is entitled to a payment or whether, due to fraud or error, there is no entitlement or the rate of payment is incorrect. This requires that cases are tested fully for all possible breaches of regulations which should usually require the reapplication of all normal checks and tests of entitlement. Each case is then classified as 'no change', 'fraud', 'claimant error' or 'departmental error'.
- 10.45** In each of the three recent surveys, a number of cases were treated as 'no change' even though reviews were not carried out.
- Claimants had left the scheme or moved to other schemes or programmes after the sampling date. There were 194 such cases in the jobseeker's allowance scheme, 74 in the rent supplement scheme and three in widows'/widowers' surviving civil partners' contributory pension scheme. Had these cases been excluded from the survey results, or replaced by other randomly selected cases, the results of the jobseeker's allowance and the rent supplement surveys could have been significantly different.
  - Claimants were unavailable for interview or otherwise failed to respond. Fourteen cases from the widows'/widowers'/surviving civil partners' contributory pension scheme have not been reviewed for those reasons.<sup>2</sup> The treatment of these as 'no change' cases is inconsistent with the treatment of cases where reviews are not completed in time for inclusion in the survey results and which are excluded from survey results.

<sup>1</sup> The survey report noted a 95% confidence interval range from €102,000 to €277,000.

<sup>2</sup> Payment was initially suspended in these cases but was subsequently re-instated for six who have made some form of contact with the Department.

**10.46** In addition, there were 128 cases with changes to entitlement in the rent supplement scheme due, for example, to the revision of maximum rent limits or the identification of means variations, which were not treated as fraud or error. This may result in an underestimation of the rate of fraud and error. However, the Department noted in its survey report that

- it is not administratively feasible to review all rent supplement claims immediately following the revision of rent limits but that these are reviewed in line with divisional timeframes
- variations in means are an acceptable feature within the administration of the scheme and managed by regular review and monitoring.

Although these cases resulted in changes to entitlement, they were considered by the Department to be 'normal movement' within the scheme, and are not classified as fraud or error.

**10.47** The survey reports indicate that cases that move to other social protection payments, will in future surveys, be examined for eligibility at the survey sample date. With regard to the 14 widows'/widowers'/surviving civil partners' contributory pension scheme cases that have not been reviewed, the survey report noted that because the scheme is a long term contributory scheme, a person may be away from home when initial contact is made by the Department and, therefore, this is not an indicator of fraud or error. It stated that the more likely outcome in respect of these cases is 'no change' to entitlement.

### Survey Coverage of Schemes

**10.48** The Department began to carry out fraud and error surveys in 2003. Figure 10.3 shows the latest survey date and the next scheduled survey date for schemes with expenditure in excess of €100 million. The largest schemes (those over €1 billion) have all been surveyed at some point and some have been surveyed more than once.<sup>1</sup> By the end of 2015, all schemes over €500 million will also have been surveyed. For those schemes however, where a new survey has been scheduled, the time interval to the next scheduled survey is significant, ranging from seven to ten years.

**10.49** Only two of the ten schemes in the €100 million to €500 million category have ever been subject to a fraud and error survey. There are plans to survey the household benefits package, family income supplement, back to work allowance and basic supplementary welfare allowance payments between 2015 and 2017.

<sup>1</sup> For example, jobseeker's allowance was surveyed in 2003, 2009 and 2012, disability allowance was surveyed in 2005 and 2010, and one-parent family payment was surveyed in 2003, 2007 and 2011.

**Figure 10.3 Fraud and error survey coverage**

<b>Scheme</b>	<b>Expenditure 2013 €m</b>	<b>Last survey year</b>	<b>Next scheduled survey</b>
<b>Expenditure in excess of €1 billion</b>			
▪ State Pension (contributory/transition)	4,121	2008	2016
▪ Jobseeker's Allowance	3,109	2012	–
▪ Child Benefit	1,900	2012	–
▪ Widows'/Widowers'/Surviving Civil Partners' Contributory Pension	1,350	2013	–
▪ Disability Allowance	1,141	2010	2018
<b>Expenditure between €500 million and €1 billion</b>			
▪ One-Parent Family Payment	978	2011	2018
▪ State Pension (non-contributory)	952	2007	2017
▪ Invalidity Pension	708	–	2014
▪ Illness Benefit	649	2006	2014
▪ Jobseeker's Benefit	560	2011	–
▪ Carer's Allowance	555	–	2015
<b>Expenditure between €100 million and €500 million</b>			
▪ Rent Supplement	373	2013	–
▪ Maternity Benefit	293	–	–
▪ Household Benefits Package (Vote and SIF)	290	–	2015
▪ Family Income Supplement	262	2005	2015
▪ Fuel Allowance (Vote and SIF)	228	–	–
▪ Back to Education Allowance	187	–	–
▪ Respite Care Grant	120	–	–
▪ Back to Work Allowance	120	–	2017
▪ Basic Supplementary Welfare Allowance	108	–	2016
▪ Domiciliary Care Allowance	104	–	–

Source: Department of Social Protection

## Conclusions and Recommendations

- 10.50** The Department has an obligation to put in place systems to prevent and detect fraud and to ensure payments to claimants are correct based on the relevant current scheme criteria. Fraud and error surveys are a useful tool in providing assurance and in developing strategies to deter and detect fraud. Results of fraud and error surveys provide assurance that there is a high level of compliant payments and that most welfare recipients are being paid the correct amounts. However, there is a material level of payment in excess of entitlement on many schemes.
- 10.51** The Department has carried out at least one fraud and error survey on all of its large schemes and all schemes with expenditure in excess of €500 million (in 2013) will have been surveyed by the end of 2015. While some of the larger and more risky schemes have been surveyed more than once since fraud and error surveys were introduced in 2003, the planned length of time between surveys is of concern particularly for the more risky schemes. This ranges from seven to ten years. Few schemes in the €100 million to €500 million category have been surveyed to date.

### Recommendation 10.1

The Department should ensure that the more risky larger schemes are surveyed more frequently or introduce a system of continuous review as previously recommended.

#### Accounting Officer's response

Agreed. At least two surveys each year are scheduled in the Department's survey programme. Some schemes, where the risk of fraud and error is greater, such as jobseeker's allowance, disability allowance and one-parent family payment, have been surveyed more frequently than major schemes where the risk of fraud and error is low.

The Department believes that a critical issue to be considered in relation to the use of continuous surveys is the level of resources required. The matter will be kept under review and implementation considered as resources allow.

- 10.52** At a technical level, the Department has improved its survey process so that the results have become more reliable. The Department's decision not to exclude recently awarded cases from future surveys is appropriate, particularly because there may be undetected departmental errors in such cases. Reviews of those cases may not require the full range of eligibility checks or requests to claimants for documents if satisfactory evidence is already available from a recently completed check at the award stage.
- 10.53** There is scope, however, for further improvement in the survey process.
- The three most recently completed surveys include a number of cases where reviews of entitlement have not been carried out but which nevertheless have been treated as 'no change' for the purpose of the survey.
  - The rent supplement survey identifies a number of cases where the amount of the entitlement had changed but which were treated as 'no change', for example, where revised rent limits had not been applied by the Department or where the claimant's means had changed. The Department classifies such cases as 'normal scheme movement', but they should more appropriately be treated as cases of fraud or error.

**Recommendation 10.2**

Cases should only be included in the survey results if a review of entitlement has been completed. Where this results in the exclusion of a significant number of cases, oversampling can be used to provide replacement cases.

All cases found to have an entitlement different to the amount paid should be treated as either fraud, claimant error or departmental error.

**Accounting Officer's response**

Not agreed. There will always be an unavoidable time lag between selection and review of cases, and it is inevitable that there will be 'normal movement' in some of these cases. The dynamic nature of most social welfare schemes needs to be taken into account in arriving at the survey results. It is not the case that all claims resulting in a change in entitlement are fraud or error. It is considered appropriate, for example, where a person finds work legitimately after the sample date, to treat that case as being in order and part of the legitimate movement on the scheme. The Department has taken a view that such cases are low-risk given the actual circumstances of the cases.

There are logistical reasons why changes to eligibility criteria, such as means, cannot be implemented immediately. In the case of the rent supplement survey, changes were identified that were not considered fraud or error because of the specific circumstances of that scheme. The rent supplement scheme is a scheme with significant movement as a result of customers' changes in circumstances, expired lease agreements, change of ownership in property, increase in market rents and transfers to social housing options. There were over 45,000 new claims registered for rent supplement and just over 56,000 claims closed during 2013 in respect of an average claim load of above 80,000 claims.

Oversampling has resource implications that will lead to further delays in finalising the survey. However, the Department will consider this further.

