

11 Control of Supplementary Welfare Allowances

- 11.1** Supplementary welfare allowances are designed to provide assistance to those whose means are insufficient to meet their needs or the needs of their dependants. The allowances may take the form of a weekly income support payment, weekly or monthly payment supplements to provide for specific ongoing needs, and/or a single one-off payment to meet a specific need. All of the payments under the scheme which is administered by the Department of Social Protection (the Department) are made on the basis that the person cannot meet the need from their own resources or from other available sources. The main categories of supports available are described in Figure 11.1.
- 11.2** To qualify for supplementary welfare allowance, the applicant must be living in the State, satisfy the 'habitual residence' test and a means test, and have already applied for any other benefit or allowance to which they may be entitled. Where the person is capable of work, they must have registered with one of the Department's employment services offices. In addition, to qualify for any of the supplements to meet specific needs, the applicant must meet any relevant qualifying conditions and demonstrate that the need exists and that they are unable to meet all or part of that need.

Figure 11.1 Categories of supplementary welfare allowance payments

Basic supplementary welfare allowance	A weekly payment to those who have either applied for another social welfare scheme but are awaiting a decision, or who do not qualify under any other scheme. It is designed to provide recipients with a minimum weekly income.
Rent supplement	Assistance with rental costs of those living in private rented accommodation.
Mortgage interest supplement^a	Payment to assist with the interest portion of a homeowner's mortgage repayments.
Exceptional needs	A payment to meet a non-recurring expense, for example, the purchase of essential household items or funeral expenses.
Urgent needs	A payment to a person who would not normally qualify for supplementary welfare allowance but who has an urgent need, such as a requirement to purchase essential items in the aftermath of a flood or fire.
Diet supplement^b	Payment towards the cost of a number of specified diets which have been medically prescribed.
Heating supplement	Assistance with exceptional heating needs arising from ill-health or infirmity.
Back to school clothing and footwear allowance	Assistance towards the cost of uniforms and footwear for children attending school.
Other supplements	The scheme provides generally for the payment of a supplement in a situation where it is deemed to be warranted.

Notes: a The mortgage interest supplement scheme has been discontinued for new applicants from January 2014.

b The diet supplement has been discontinued for new applicants from February 2014.

- 11.3** The scheme is administered mainly by the Department's community welfare service which operates in departmental local offices and in local health centres. The exception is the back to school clothing and footwear allowance which is administered as a separate non-statutory scheme and paid centrally.
- 11.4** Up to October 2011, the supplementary welfare allowance scheme was administered by the Health Service Executive (HSE) on behalf of the Department.¹ Since the Department assumed responsibility for the administration of the scheme, over 420 smaller community welfare service offices have been closed and consolidated into larger centres.

Payment Irregularities

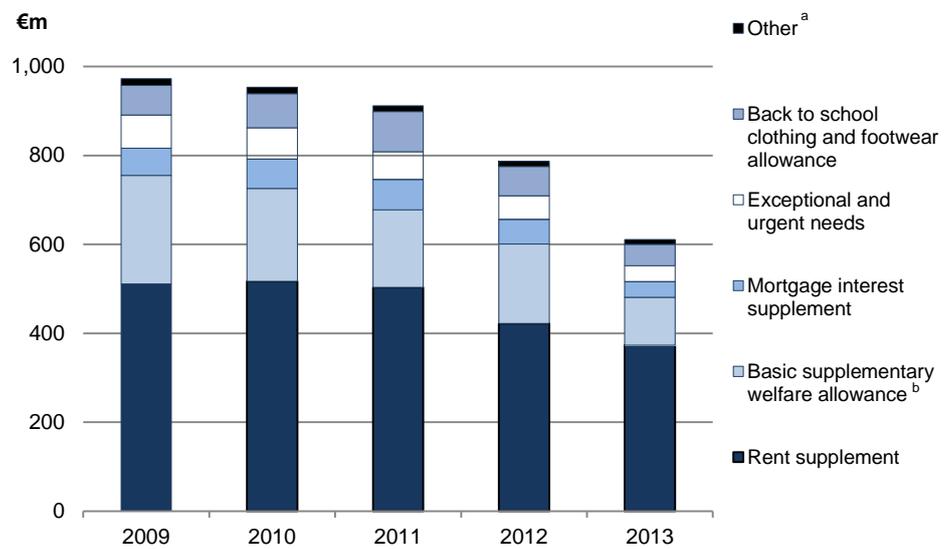
- 11.5** In 2012, two cases were identified of possible irregularities in supplementary welfare payments involving departmental employees. The total estimated loss was €1.2 million with the loss in one of the cases estimated to exceed €1 million. The matters have been reported by the Department to An Garda Síochána and investigations are on-going.
- 11.6** The controls over the supplementary welfare allowance scheme were examined as part of the audit of the 2013 Social Protection Vote. The audit examined the administration of the scheme and the controls in operation in community welfare service offices in two locations – Clondalkin and Letterkenny. For a sample of cases in each location, the audit tested the take-on controls, inspected the supporting documentation available to substantiate the claim and the rate of payment, and examined the level of review of claims in payment. The operation of other controls, including the extent to which management audit of random samples of cases was being carried out, was also examined in both offices. The procedures in place for monitoring the operation of controls were also reviewed as well as the results of departmental audits and inspections.
- 11.7** As the cases of suspected internal irregularities are still the subject of Garda investigation, the details of those cases are not included in this report. They do not relate to operations in Clondalkin or Letterkenny.

Scheme Expenditure Trends

- 11.8** Expenditure on supplementary welfare was €611 million in 2013. Over 90% of expenditure was on basic supplementary welfare allowance, rent supplement, mortgage interest supplement and exceptional/urgent needs payments. Scheme expenditure has fallen by 37% over the five years to 2013 (see Figure 11.2).

¹ Under that arrangement, scheme payments were charged to the Department's Vote. A payment was made to the HSE towards its administrative costs.

Figure 11.2 Supplementary welfare allowances scheme expenditure, 2009 – 2013

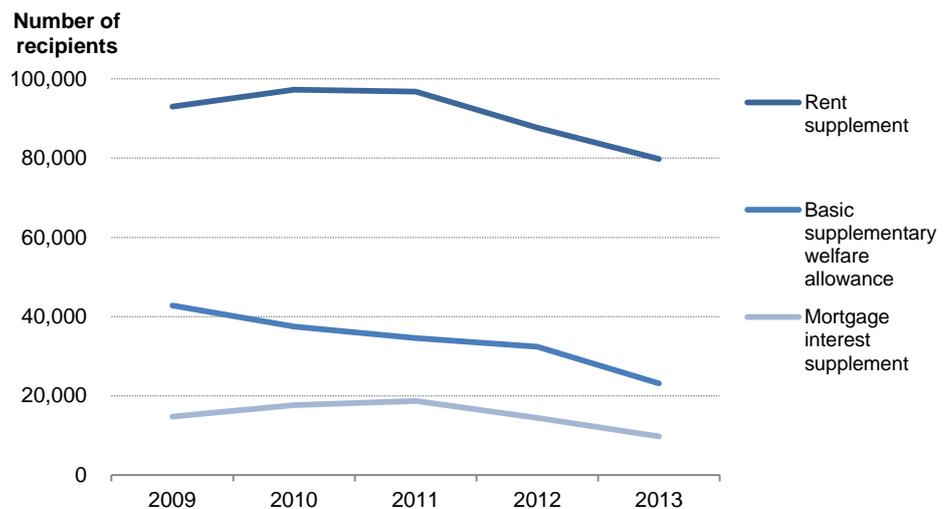


Source: Department of Social Protection

- Notes:
- a Other includes diet supplement and heating supplement.
 - b Basic supplementary welfare allowance expenditure is net after taking account of any amounts recouped from other schemes – if the allowance is being paid to a claimant who is awaiting a decision on a claim under another scheme and that claim is subsequently approved, the supplementary welfare allowance paid is recouped from the other scheme. Total amount recouped in 2013 was €134 million (€115 million in 2012).

11.9 Basic supplementary welfare allowance, rent supplement and mortgage interest supplement are ongoing payments to recipients provided that eligibility is maintained. The number claiming in each of these categories has reduced significantly in the last five years (see Figure 11.3).

Figure 11.3 Number of recipients of on-going supplementary welfare allowance payments, 2009 – 2013



Source: Department of Social Protection Annual Statistical Report 2013

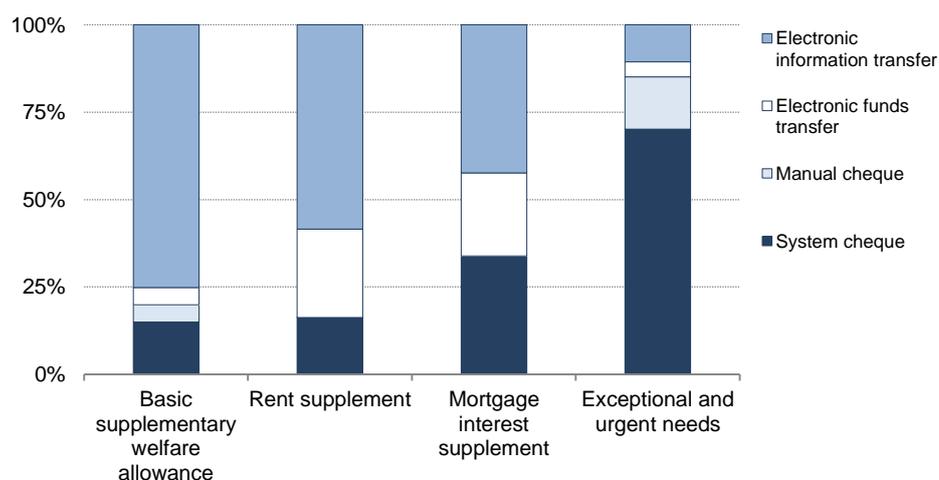
Payment Methods

11.10 Supplementary welfare allowance payments can be made by one of the following methods

- electronic funds transfer (EFT) – the amount is paid directly to a bank account
- electronic information transfer (EIT) – the Department notifies An Post of the payment details and the claimant receives the payment at a post office on presentation of their public services card (or social welfare services card)
- cheque – either a system cheque printed centrally based on the details entered onto the system and posted to the claimant, or a manual cheque written by the officer approving the claim. Departmental procedures require that manual cheque payments be kept to a minimum and should only be used where the situation is urgent and immediate payment is required.

11.11 In 2013, there were just under 4.6 million payments made for the four main categories of supplementary welfare allowance. The volume of payments by payment method under each of those categories is presented in Figure 11.4.

Figure 11.4 Method of payment by category, 2013



Source: Department of Social Protection

11.12 Overall, one in five payments in 2013 were made by cheque. Over one third of mortgage interest supplement payments were by cheque, with one in six rent supplement payments also by cheque. In the case of exceptional and urgent needs, 85% of payments were by manual or system generated cheques. The nature of these payments tends to require greater recourse to cheques, for example, where payment is required immediately. Exceptional and urgent needs payments are one-off payments to recipients. The number of times in the year a person can claim and receive an exceptional or urgent needs payment is not limited.

11.13 The Department is currently examining cheque payments with a view to transferring them, in so far as possible, to EFT payments.

- 11.14** The amount that can be paid by manual cheque is limited to a maximum of €500 per cheque. Out of the 1.1 million cheques issued in 2013, 7% were manual cheques with a total value of €14.7 million. The average value of manual cheques issued was around €180.

Scheme Risk Management

- 11.15** The nature of the risks associated with each welfare scheme varies and therefore, the Department's control policy for a welfare scheme needs to be designed to take account of the particular scheme risks. In the case of the supplementary welfare allowance scheme, there are a number of factors that affect the risk profile.
- There are several different categories of payment.
 - Some payments are on-going and some are one-off.
 - In some cases, payment is required on the spot.
 - Each category of payment has different claimant profiles.
 - There are a number of different payment methods.

This means that the risks are not necessarily the same for all categories of payment within the scheme.

Incidence of Fraud and Error

- 11.16** The Department carries out fraud and error surveys of individual schemes whereby a random sample of claims in payment is reviewed to establish if the claimants are entitled to the payments and whether the correct amounts are being paid. These surveys assist the Department in establishing the risks associated with the scheme with a view (if necessary) to improving the control measures it has in place. The results of fraud and error surveys also provide the Department with an opportunity periodically to estimate the underlying level of payments in excess of entitlement in a scheme.
- 11.17** The most recent fraud and error survey of any category of supplementary welfare allowance was a survey of rent supplement. The survey, the results of which were reported in July 2014, found payments in excess of entitlement amounting to 6% of total expenditure – 3.2% arising from fraud and 2.8% due to error.¹ Expenditure on rent supplement in 2013 was €373 million. The estimate of excess payment for the UK housing benefit scheme, which is similar to rent supplement, is 5.8%.² The UK report also identified underpayments to claimants amounting to 1.6% of the entitlement due.
- 11.18** The UK's income support scheme is similar to basic supplementary welfare allowance. It provides for certain categories of claimants who have no income or are on a low income. The latest estimate of the level of excess payments on that scheme is 4% and the level of underpayments is reported as 1%.²

Risk Assessment

- 11.19** For any welfare scheme, control measures are required which take account of regular assessments of the risks associated with the scheme. Such assessments should be informed by the outcomes of the programme of claim reviews, the results of fraud and error surveys and ongoing consideration of the environmental risks associated with the scheme.

¹ Chapter 10 presents further details of the results of the rent supplement fraud and error survey.

² **Fraud and Error in the Benefit System: Preliminary 2013/14 Estimates**, Department for Work and Pensions, May 2014.

- 11.20** The most recent risk assessment on supplementary welfare allowance was completed in 2008 by the HSE. In 2012, the Department stated that it was updating the risk assessment documents for all areas, including supplementary welfare allowance.

Risk Monitoring and Investigation

- 11.21** The Department's risk management processes are integrated with its business planning. Managers are required to identify risks facing their areas including operational and financial risks and manage these as part of the business management process. This includes a requirement to report on risk management, including key internal control measures, on a quarterly basis.
- 11.22** In January 2013, following identification of the two cases of possible internal irregularities, the Department issued a circular to all managers which set out the minimum internal control requirements for supplementary welfare allowances. Also in 2013, the Department's Internal Control Support Unit (ICSU) commenced more rigorous monitoring of compliance with key management controls at local level. The Department assigned five additional staff to ICSU in 2013, bringing the staff complement to 15.
- 11.23** The Department has stated that both irregularity cases occurred in the same division and, as a result, a dedicated management audit unit was set up in the area. The unit is responsible for carrying out the management checks for all community welfare service areas within the division. Five higher executive officers were assigned to the unit, which to date has carried out an examination of over 3,400 files that did not identify any significant control issues.
- 11.24** The Department's Internal Audit Unit has carried out two audits of supplementary welfare allowance areas since local managers were reminded of the internal control requirements in January 2013. The ICSU completed inspections of five areas between December 2013 and March 2014.

Control Policy

- 11.25** There are a number of elements to the current control policy for supplementary welfare allowance including
- take-on controls – checks are carried out on applications to ensure that the assistance is only provided to those who meet the qualifying criteria and that the correct amount is paid
 - review of claims in payment – regular review of claims that are being paid (some claims are selected for review where changes in circumstances are identified as a result of data provided by other public sector entities)
 - management controls – checks of random samples of claims and regular monitoring of payment reports as well as internal audit reviews and control monitoring inspections
 - cash controls – controls over receipts which mainly arise from recoveries of overpayments.

Take-on Controls

- 11.26** Claimants for supplementary welfare allowance are required to complete, sign and date an application form, and provide relevant documentation to support their claim. The evidence necessary to support a claim varies with the category of payment but includes evidence of identity, proof of address and evidence of means. The application and supporting documentation are checked, and further evidence is sought where necessary. A decision is then made on whether to award the claim or not, and the amount to be paid is calculated. The officer making the decision is required to prepare and sign a decision report. The application of these controls for claims paid or put into payment in 2013 was reviewed for a sample of cases in both offices visited.
- 11.27** The issues noted from an examination of 57 cases in the Clondalkin office and 50 cases in the Letterkenny office are summarised in Figure 11.5.

Figure 11.5 Results of review of take-on controls for sample of cases

	Number of cases	
	Clondalkin	Letterkenny
Number of cases examined	57	50
No issues identified	12 (21%)	14 (28%)
Issues identified^a		
Appropriate application form(s) not on file ^b	5 (9%)	–
Application form not complete	22 (39%)	3 (6%)
Key supporting documentation not on file	25 (44%)	29 (58%)
Decision report not on file	20 (35%)	14 (28%)
Payment errors ^c	5 (9%)	3 (6%)

Source: Analysis of results of examination of sample of cases by Office of Comptroller and Auditor General.

Notes: a The examination identified more than one issue with some cases.

b More than one application is required for some categories of payment.

c Includes four cases where the claimant should not have received the payment and four where the amount paid was incorrect.

- 11.28** The appropriate application forms were either not on file or not fully completed in almost half of cases examined in the Clondalkin office. Supporting documentation, including proof of identification, proof of address and EFT mandates, was not evident in a large number of cases in both offices. A third of cases did not have a decision report on file. In eight cases mainly involving departmental error, the payments made were incorrect, including two cases where payment was made twice.

11.29 Local management in both offices have responded to the audit findings presented above.

- Clondalkin local management stated that they have reminded staff of the importance of properly completed documentation to support all payments. Staff were also issued with reminders and copies of the relevant departmental circulars and best practice guidelines. All cases reviewed as part of the audit are being examined to ensure that all relevant documentation is on file and procedures are being followed. In relation to the particular cases identified, one payment has been suspended, three have been recalculated and an overpayment has been assessed in another case.
- Letterkenny local management stated that they will follow up the details of these cases and, where appropriate, have the file papers completed. In relation to ten cases where EFT mandates were not on file, the details were provided by the claimant on their application form and it was not considered necessary to request a mandate. In 26 cases where proof of identification was not on file, it was the practice when the scheme was administered by the HSE not to file evidence of identity where the claimant was known to the community welfare officer. Evidence for cases such as these is being updated on an ongoing basis.

11.30 Similar issues were identified in the seven recent examinations carried out by the Internal Audit Unit and the ICSU. Those examinations included a review of a total of 227 cases and the findings are summarised in Figure 11.6.

Figure 11.6 Review of cases by Internal Audit and ICSU

Issue	Number of cases where issue identified
Appropriate application forms not on file	30 (13%)
No photographic identification on file	119 (52%)
No bank statements on file	92 (40%)
Insufficient supporting documentation on file	86 (38%)
Payment rate or method incorrect, or unable to determine based on documentation	50 (22%)

Source: Department of Social Protection, Internal Audit Examinations September and October 2013, and Internal Control Support Unit Inspections, November 2013 to March 2014.

11.31 The Department indicated that management in each of the offices inspected by the Internal Audit Unit and the ICSU have accepted the recommendations of the examinations and have taken steps to ensure that all relevant documentation, reviews and checks will be carried out in the future, including the provision of additional training, as necessary. The Department noted that the introduction of the public services card will remove the necessity to hold photographic identification on customer files.

Review of Claims in Payment

11.32 Regular reviews of entitlement are an essential control for the monitoring and oversight of any payment made by the Department. Some categories of supplementary welfare allowances are 'one-off' payments and therefore periodic review is not required. On-going payments, such as the basic supplementary allowance, rent supplement and mortgage interest supplement, have prescribed reviews set out in departmental guidelines (see Figure 11.7).

Figure 11.7 Frequency of reviews of claims in payment

<i>Payment Category</i>	<i>Review Strategy</i>
Basic supplementary welfare allowance	Weekly review.
Rent supplement	Home visit once a year where necessary ^a and a financial review at least twice a year.
Mortgage interest supplement	Home visit once a year where necessary ^a and a financial review at least twice a year.
Other supplements	Review frequency based on assessment of likely changes.

Source: Department of Social Protection, Supplementary Welfare Allowance Best Practice Manual, 2013.

Note: a Factors considered in deciding whether a review is necessary include the likelihood of a change in circumstances, evaluation of how long a need for the payment will continue and legislative changes influencing rates of payment.

- 11.33** The Department's processing system for the scheme generates daily 'warning' reports in relation to basic supplementary welfare allowance cases for review. The reports list cases in receipt of the allowance pending a decision on a claim for another welfare payment. The reports are checked to ensure that a decision is still outstanding. The reports also list other cases that are scheduled for review. In the Letterkenny office, cases are marked as reviewed on the 'warning' report. In Clondalkin, the reports are not retained so it is not possible to establish if cases were reviewed.
- 11.34** The extent to which reviews were carried out for the 44 rent supplement and mortgage interest supplement cases examined is set out in Figure 11.8.

Figure 11.8 Issues identified with reviews for sample of rent supplement and mortgage interest supplement cases

	Number of cases	
	Clondalkin	Letterkenny
Number of cases examined	19	25
Findings		
No evidence of home visit	6	7
No evidence of recent home visit	3	18
Evidence recent home visit carried out	10	–

Source: Analysis of results of examination of sample of cases by Office of Comptroller and Auditor General.

- 11.35** The Internal Audit and ICSU examinations found that there was no evidence that the required reviews were carried out for 42 (18%) of the 227 cases inspected.
- 11.36** The Department indicated that home visits are undertaken having regard to the level of risk associated with individual cases and it would not be an efficient use of resources to carry out home visits in respect of all rent and mortgage interest supplement claimants on an annual basis.

Management Controls

- 11.37** The principal management controls are regular review of payment reports and regular checking of random samples of claims (management audits). Such controls are critical for one-off payments or short duration claims where periodic review of entitlement is not always feasible.

Payment Controls

- 11.38** Management controls over supplementary welfare payments include
- clearance by the area manager of system-generated cheques for more than €2,000 prior to payment
 - weekly review of all payments of over €2,000 that have issued by EFT
 - quarterly examination of cheque book usage.
- 11.39** In both Letterkenny and Clondalkin, the audit found that the examination of manual cheque books was not taking place. The audit also found that in Clondalkin, the weekly review of payment reports was not being performed. The Letterkenny area manager stated that a check is carried out on weekly reports but evidence of this is not retained.
- 11.40** In four of the seven areas examined by Internal Audit and ICSU, the weekly review of EFT payments was not being carried out as required. Lapses in relation to checking of manual payments were also noted in four areas.

Nominated Payments

- 11.41** Supplementary welfare allowance legislation provides for payment directly to suppliers on behalf of claimants in respect of, for example, repairs to appliances or payment of rent to a landlord. In such cases, the claimant is required to complete a nominated payments form authorising the Department to pay the supplier.
- 11.42** In Clondalkin, it was noted that Department staff directed claimants to a single supplier for repairs and maintenance of appliances. However, the level of payments to the supplier was not monitored. Local management stated that the use of a single supplier will be reviewed.
- 11.43** In the seven areas reviewed by Internal Audit and ICSU, the failure to use authorisation forms for nominated payments was noted. One location was found to have a large number of exceptional needs payments to nominated payees without quotations or receipts for the works carried out. Internal Audit also found that one area directed customers to a specific supplier.

Management Audits

- 11.44** The Department's policy is that a sample of 5% of transactions for the previous month and 1% of the previous three months' transactions is selected at random every month, to be checked to ensure that the payment is in order. Officers conducting the checks are required to satisfy themselves that
- all procedures, guidelines and legislation have been adhered to
 - all forms are completed and signed by the claimant and a departmental officer as appropriate
 - the correct payment rate and method have been applied
 - the address is correct
 - in the case of manual cheque payments, the payment corresponds with information on the file and the cheque book, and it was necessary to make the payment by way of manual cheque
 - there were no apparent conflicts of interest, for example, whether staff members who are known to be related to or close friends of the claimant had been involved in processing the claim.
- 11.45** The checklist which is required to be completed for each case should be reviewed by the local manager. Cases selected but where the checks have not been completed within four months are included in a report which is forwarded to the area manager, divisional manager and ICSU. A summary by region of cases where checks were outstanding for more than four months at December 2013 is set out in Figure 11.9.
- 11.46** Overall, at December 2013, there were just over 5,000 cases which had been selected for checking but where the checks had not been completed four months after selection. While there are just over 300 locations with no checks outstanding for more than four months, there are six locations each with more than 100 outstanding. The Department pointed out that the information on checks outstanding is at a specific point in time and that the administration of the scheme is undergoing substantial ongoing transformation.

Figure 11.9 Supplementary welfare allowance management audits outstanding for more than four months, at December 2013^a

Region	Number of community welfare locations	Cases selected for audit but check outstanding	Average per location	Highest number outstanding at a location
Cork Central	41	93	2	17
North East	22	782	36	82
West	54	424	8	115
North West	35	94	3	43
Midlands North	33	391	12	74
Mid Leinster	39	222	6	57
South West	38	15	–	8
Mid West	40	133	3	39
Midlands South	35	194	6	46
South East	21	59	3	25
Dublin South	46	182	4	80
Dublin North	54	367	7	222
Dublin Central	94	2,068	22	412
All regions	552	5,024	9	412

Source: Department of Social Protection

Note: a Excludes back to school clothing and footwear allowance cases (2,633) and rent units in Mid Leinster (698) and Dublin North (981).

- 11.47** The Clondalkin office was visited in August 2013, at which time the management audits for April 2013 were not yet completed. For those cases where the audits were recorded as completed, the checks had not been carried out by an officer of the appropriate grade and the required checklist had not been completed.
- 11.48** In response to the audit findings, local management in Clondalkin have indicated that the delay in conducting the management audits was in order to improve the area manager's understanding of supplementary welfare claim processing and while the clerical support officer completing the checklist was not an appropriate grade, the area manager checked all claims subsequently and cleared them on the system. They have stated that all checklists and checks are now in compliance with procedures.
- 11.49** In Letterkenny, management audits were up to date in October 2013. However, seven of the 32 cases reviewed during the audit that required follow-up action had no evidence of the action taken. In addition, 12 of the 32 cases had been checked by an officer who at some point had processed that case. Local management stated that actions by an officer subsequent to the original decision, such as recertification of an on-going payment, do not preclude that officer from carrying out the check. In their view, the critical factor is that checks are not carried out by officers on any claim on which they authorised the initial payment.

11.50 The Internal Audit and ICSU examinations of seven supplementary welfare allowance areas found that

- in four areas, the area manager was not carrying out the required check on management audits completed
- in one area, supporting documentation in relation to checks was not on file
- one area was not maintaining checklists.

Control of Cash Recoveries

11.51 Cash received in departmental offices arises mainly from recoveries by the Department of previous overpayments. Departmental policy requires that¹

- official receipts are issued for all cash recoveries and a notice of this policy is clearly displayed to members of the public
- a cashbook is maintained to record cash on hand
- amounts lodged are reconciled to bank statements quarterly
- regular lodgements are made and amounts of cash and cheques on hand do not exceed €1,000.

11.52 In the community welfare service office in Clondalkin, there was no cashbook or receipts book at the time of the audit (August 2013). Local staff stated that no recoveries had been received in the year to date. Local management have since stated that receipts books have been issued and the importance of issuing receipts highlighted.

11.53 In the community welfare service office in Letterkenny, a cashbook is maintained and receipts are issued when cash is recovered. However, there was no evidence of management review of the cashbook. Examination of receipt books and the cashbook identified a receipt issued which was not recorded in the cashbook. Two instances were identified where cash received in respect of overpayments was not recorded on the overpayment debt management (ODM) system. Local management indicated that this was due to an oversight and that reviews of the cashbook would now commence. In addition, staff have been reminded of the procedures for recording cash receipts on the ODM system.

11.54 The reviews by Internal Audit and ICSU found that five of seven areas did not maintain a cashbook or display a notice signalling the policy of issuing receipts. In one case, receipts books were not being used and in another, a handwritten receipt was issued by the officer in respect of cash received with an official receipt issued by the area manager at a later date. Three areas did not have procedures for handling cash. In one case, cash in excess of €1,000 was on hand.

11.55 The Department issued a new circular on cash recoveries to staff in July 2014. The circular sets out the guidelines and procedures that must be followed and includes new documentation and returns that staff are now required to use.

¹ These procedures are the minimum internal control requirements as set out by the Department in a circular to all managers in January 2013.

Conclusions and Recommendations

- 11.56** The supplementary welfare allowance scheme is unusual in that it has a number of different categories of payment, each with different risks and different claimant profiles. Risk is increased because in some cases payment is one-off and may be required immediately. This also gives rise to a need for different payment methods. The last formal risk assessment of the scheme was completed in 2008, at a time when the scheme was administered by the Health Service Executive (HSE).
- 11.57** Two cases of possible internal irregularities with significant estimated losses underline the risk associated with the scheme. The Department's response to those cases included a re-iteration to staff of the minimum internal control requirements and the introduction of central monitoring of the extent to which local offices are completing management audits. Additional staff were assigned to the Department's Internal Control Support Unit (ICSU) in 2013, and a dedicated management audit unit was established in the division where the possible irregularities took place.
- 11.58** This report reflects the results of audit work and the work of ICSU and Internal Audit conducted several months after those control enhancements. The findings indicate that there were significant issues with the operation of key controls in relation to the scheme. This includes a widespread backlog in the completion of management audits and failure to carry out reviews of payments – controls which are particularly important in preventing and detecting internal fraud. The Department needs to address these issues as a matter of urgency.
- 11.59** In some situations, the Department makes payments directly to suppliers on behalf of claimants. Departmental audits and inspections found that the required claimant authorisation was not obtained for all such cases. A practice of using single suppliers for particular goods or services was also noted. While there may be advantages in using single suppliers in some circumstances, there are risks that best value may not be obtained where proper procurement procedures are not followed, and that certain suppliers are favoured.

Recommendation 11.1

The Department should carry out an up-to-date risk assessment to identify and document all of the risks associated with the supplementary welfare allowance scheme. Such documentation should clearly set out the different risks that arise on each category of payment. Regular fraud and error surveys of different elements of the scheme would also assist in identifying risks and tracking the level of excess payments over time.

Accounting Officer's response

Agreed. The Department will undertake a risk assessment of supplementary welfare allowance as soon as possible. A fraud and error survey has recently been completed on the rent supplement scheme. This has assisted the Department in identifying the main areas of risk and has highlighted control issues that need to be addressed in the future operation of the scheme. A further fraud and error survey on basic supplementary welfare allowance is scheduled to be undertaken in 2016. In 2014, following the investigation of the cases of possible internal irregularities, strengthened controls were put in place including the automatic issue of an advice slip to claimants following a manual payment. In addition, all system cheques issued on a particular day to a claimant where the value of the combined payments is greater than €2,000, are now retained pending approval at assistant principal level in the relevant division.

Recommendation 11.2

The Department should establish why the current controls do not operate at all times, and consider ways of embedding those controls in the day-to-day work of all local offices. Consideration should be given to the use of seminars and local discussion in regard to how the controls set out are to be implemented at a practical level.

Accounting Officer's response

Agreed. Since the transfer of the community welfare service to the Department in 2011, there has been significant restructuring and re-configuration of the service. This required re-training and familiarisation by staff of a wide range of duties which had an effect on the operation of internal controls. Monitoring the implementation of the necessary controls is now a priority for the Department. This will be reflected in the continued inclusion of specific targets as part of the performance management and development process and in monthly divisional management meetings which are chaired by two assistant secretaries.

In addition, the staff development unit ensures that all staff receive appropriate training and new training modules currently being designed will strengthen the focus on control and audit. ICSU has commenced a presentation programme that provides control awareness training to community welfare service staff (six presentations have been delivered so far this year). The best practice manual is continuously updated and all changes to schemes and practices are circulated to staff. Revised cash receipt guidelines and the development of a new debt management system will also enhance controls.

Recommendation 11.3

The Department should continue to monitor the extent to which the prescribed management audits are being completed. Internal audits and ICSU inspections should focus on those locations with the greatest backlog of audits in both absolute and percentage terms. The quality and depth of reviews undertaken should also be monitored.

Accounting Officer's response

Agreed. ICSU monitors the operation of management audits and where there is evidence of the checks not being carried out in a timely manner, it is brought to the attention of the divisional manager. In addition, ICSU has commenced a national inspection programme. Non adherence to the management audit requirement is used as part of the risk analysis in determining the ICSU inspection programme. ICSU and Internal Audit collaborate on an ongoing basis to ensure the widest possible coverage. Management audit training is provided by the staff development unit.

Recommendation 11.4

The Department should amend its risk management system to provide for periodic confirmation by managers that key controls are operating in their area.

Accounting Officer's response

Agreed. This is required as part of the Department's business planning and risk management process. All business areas are required to report quarterly on risk management including an assessment of the current levels of control in place. This includes an update on the action plan to mitigate the risk and a re-assessment of the risk ranking. To further reinforce these processes, divisional managers will be reminded of the need to confirm that key controls are operating to the required level. In addition, this will be a standing item for monthly meetings between regional managers, divisional managers and area managers.

Recommendation 11.5

The Department should monitor the level of payments made to suppliers and ensure that proper procurement procedures are followed.

Accounting Officer's response

Agreed. This form of payment is generally used where the needs of the customer are best served to ensure that money is used for the intended purpose. The purchasing or contractual relationship is between the customer and the supplier. The Department will review its policy in relation to payments to suppliers to enhance control and procurement procedures. This will be a considerable piece of work and will be carried out in a number of steps commencing in autumn 2014.