

Chapter 15

Department of Social and Family Affairs

15.1 Personal Public Service Numbers

The PPS Number is a unique client identifier used by Departments and Agencies for accessing Government Services. PPS numbers are issued by the Department of Social and Family Affairs (the Department) and up to 1991 had also been issued by the Revenue Commissioners (as the Revenue and Social Insurance number – RSI).

The Department’s Central Records System (CRS) currently holds about 5.9 million records and is the core of the Department’s client oriented functions. It is the source database for the new Public Service Identity (PSI) system provided for in the Social Welfare (Miscellaneous Provisions) Act, 2002.

The Department set up the Client Identity Service (CIS) in 2000 to manage the PPS number registration system.

Issue of PPS Numbers

Table 45 gives details of PPS numbers issued in the last 4 years.

Source	2001	2002	2003	2004
Newborns	56,000	71,000	63,000	69,000
Local Offices	111,000	92,000	78,000	123,000
Asylum Seekers	10,000	11,000	8,000	4,000
Other	45,000	45,000	44,000	25,000
Total	222,000	219,000	193,000	221,000

Table 46 shows a breakdown of applications in 2004 by EU and non-EU nationals.

Nationality	Number
Ireland	87,000
EU States excluding Accession States	38,000
EU Accession States ³⁰	58,000
Other Countries	36,000
Total	221,000

Registrations at Birth

PPS numbers now issue automatically following communication of birth registration from the General Register Office’s recently developed computerised civil registration service. All major hospitals provide inputs to the system.

Local Office Applications

General applications for PPS numbers are mainly processed by 125 local and branch offices. Applications must be supported by birth certificate and/or valid photographic identity e.g. Passport or National Identity Card and evidence of residence in the State. Applicants are also required to state the reason for their application.

³⁰ Since May 2004

Staff are required to check the authenticity of supporting documents and refer doubtful cases for checking by document fraud experts. Suspect documents cannot be held if applicants insist on their return. From August 2004, local office staff were instructed to refuse applications only where there was proof of identity fraud. A tolerance is allowed where some non-nationals may not be able to produce certain documents.

Asylum Seekers

PPS number applications by asylum seekers who have obtained identity cards from the Office of the Refugee Applications Commissioner are processed by a dedicated unit in liaison with that office.

Other Applications

Community Welfare Officers employed by Health Boards allocate PPS numbers to applicants for Supplementary Welfare Allowance who do not have a PPS number.

The Pension Services Office allocates PPS numbers to pension applicants who have not previously got a PPS number, mostly non-resident cases with pension entitlements in Ireland including pre-1953 cases.

PPS numbers are allocated by individual scheme units to persons who make application for a welfare scheme but who are not previously registered.

Client Identity Service also issues PPS numbers, mainly to solicitors in respect of estate cases.

Recent Reviews of the CRS System

Reviews and audits have been carried out on the system for processing and registering applications for PPS numbers in the past five years as follows

- Internal Evaluation of Identity Fraud - 2000
- Internal Audit Review – 2003
- Southern Region Identity Project – 2004
- External Data Quality Audit – 2004.

The reviews indicated that

System Issues

- More than one PPS number could be allocated to a client when processing was completed on the same day by different members of staff. In a test 41 duplicates were found in one month.
- The system name check facility to establish that a PPS number had not already been allocated to the client was not applied to non-nationals because the system did not recognise foreign names
- Fraudulently obtained PPS numbers could not be deleted, flagged or rendered unusable.

Processing Issues

- 32,000 PRSI contribution records forwarded by Revenue could not be traced
- Source documents were not being requested or verified where exceptional or one-off applications *e.g.* estate cases, were being made. There were no checks on further activity in these cases
- Key fields on client records were not always completed or accurate. An external audit of data consistency and completeness in 2004 found an overall level of quality of 88%. 10,000 invalid PPS numbers needed to be corrected or purged and 35,000 – 50,000 cases needed address amendments
- Acceptance of asylum seekers' identity cards conflicted with the rigid demands made of other applicants.

Consequences

- Many bogus applicants already had PPS numbers and frequently were asylum seekers in receipt of state benefits
- The use of bogus PPS numbers was giving their holders entitlements to welfare benefits
- The internal evaluation in 2000 tested a random sample of 1,593 PPS numbers issued to purported EU applicants (deemed high risk). 10% of these turned out to have been fraudulently obtained. There was also a significant number of 'suspicious' other cases.
- The internal evaluation in 2000 estimated losses at €25 million to €50 million per annum
- PPS numbers could be used to help open bank accounts, obtain credit cards etc. The system might be discredited
- A Client Identity Service Control (CIS Control) investigation into employers' recruitment practices confirmed that considerable numbers of PPS numbers had been obtained on foot of false documentation or were being used by persons to whom they did not belong.
- The work permit system was being circumvented by identity fraud.

Review Recommendations

Key recommendations made arising from these reviews were to

- Implement procedures for notifying and flagging misused numbers
- Notify employers of the requirements for employing non-nationals
- Establish a multi-agency task force to recommend action on identity fraud.

How these findings were addressed by the Department

The main actions taken by the Department in response to these findings were to

- Put in place a training programme to create an awareness of identity fraud and control needs
- Introduce more rigorous processing at public counters
- Install ultra-violet scanning equipment
- Ask suspect applicants to apply in the language of their declared nationality

- Refer suspect cases to CIS Control for investigation.

In 2003, the Department established a liaison with the Garda National Immigration Bureau. This liaison has resulted in estimated monthly savings of approximately €300,000 mainly from asylum seekers involved in identity and welfare fraud.

Revenue Internal Audit – 2004

An internal audit carried out by the Revenue Internal Audit Unit confirmed that improperly obtained PPS numbers were used to access State services and benefits and that non-nationals, in particular, presented a serious risk. The absence of tax record details on such persons was a problem. It also found that passports and driving licences could no longer be relied on as means of identity. Checks over a 2-week period at the public counter of the Central Revenue Information Office cast doubts on the validity of the identity of 70 callers who presented a PPS number at the counter. Revenue Internal Audit was of the view that there was a low level of awareness of identity fraud issues and related abuses among Revenue staff.

The audit unit recommended formalising communications with the Department to ensure appropriate action is taken by Revenue in identity fraud cases. It also recommended a working group to counter the risks to Revenue posed by such fraud.

Client Identity Service Control (CIS Control)

Referral Activity

The Department's CIS Control monitors identity fraud issues, assists in drawing up procedures for processing applications, investigates suspect documents and provides document recognition training to Local Offices. Table 47 provides details of Local Office referrals to CIS Control for 2002 to 2004.

Table 47

Year	2002	2003	2004
Number of referrals	635	466	752
Number of referrals found fraudulent	204	142	324
Arrests	12	44	69

An analysis of the fraudulent cases for 2004 shows that 303 of the applications were from non-nationals who presented false/forged documents purporting to be from EU States, 20 were other non-national documents and 1 was Irish documentation.

Monitoring Activity

CIS Control monitors the issue of PPS numbers in Local/Branch offices for unusual trends, mainly the targeting of offices by human traffickers.

- An examination of the PPS Number application process at a Branch Office revealed extensive non-compliance with Departmental procedures between 2001 and 2003
- Branch Office Inspections carried out in 2004 revealed risk patterns in 4 Branch Offices during 2004. 95 bogus applications were found at 3 offices with a smaller number in the other.

- An inspection of ‘hijacked’³¹ PPS numbers at an employment agency, found 35 cases where false/forged documentation had been supplied in support of applications for employment. A data matching exercise with the agency’s records revealed up to 20 cases of double identity where Supplementary Welfare Allowance was claimed under one of the identities.
- 314 compromised PPS numbers were identified in extended tests, including cases claiming welfare under an alternative PPS Number.

Audit Assessment

My review of the processing and control systems in place indicates that the detection of identity fraud and the prevention of issue of PPS numbers to bogus applicants or the issue of duplicate PPS numbers to persons already in possession of a valid PPS number is very much dependent on the vigilance of counter staff. It is vitally important that these staff have sufficient back up available to them and the support of a tried and tested quality assurance system.

The completeness and accuracy of data on CRS is vital to ensure the reliability of client identification available to the Department. This is even more crucial since the database is to be the foundation of the proposed new Public Service Identity System. It is clear that the principle of a unique identifying number for each client is fundamental to the success of that project. At the same time the Department’s welfare and social insurance schemes, and the Revenue Commissioners’ tax collection systems are dependent on the integrity of the data underpinning the CRS.

My review of the operation of the CIS Control unit found that

- Investigation work has been beneficial in identifying bogus registrations
- The Unit is also beneficial in detecting abuses of the welfare system
- There are difficulties in establishing the real identities of some suspect cases
- There is need for adequate resources to ensure bogus cases are promptly dealt with
- There is need for feedback on cases referred to other sections and agencies for follow up
- There is also need for a structured approach to tackling identity fraud among potentially affected agencies.

In the light of the importance of the system for allocating PPS numbers, I sought the Accounting Officer’s views on the findings of my examination.

Accounting Officer’s Response

The Accounting Officer agreed that the history of the issuance of RSI/PPS numbers reveals considerable shortcomings. As a general comment, he was of the view that the position overall was better than the audit assessment appeared to indicate. As well as putting in place and continuously improving operational structures, the Department had taken a strategic approach to improving the functions of the PPS number and this had led to the development of a number of strategic projects.

³¹ Legitimately obtained PPS numbers which are irregularly used by another.

When the Department took over the PPS number registration process in 2000, it was recognised from the outset that the CRS database had been in existence from 1979. It was not at that time envisaged that the RSI Number (now the PPS Number) and related data would be used for the purpose of supporting all public services. His Department recognised that the system required improvement. An external audit, commissioned by the Department in 1996 found that, where the Department held data, it tended to be accurate but did note areas where data was incomplete. He is of the view that considerable improvement in the integrity of the data has been achieved. This is evidenced by improvements shown in Table 48.

Table 48 Trends in Data Quality 1998 to 2004

Date	January 1998	February 2002	February 2004	December 2004
Total Clients	5,336,795	4,823,257	5,187,193	5,298,078
With Date of Birth	86.89%	94.03%	94.83%	95.3%
With a Verified Date of Birth	34%	64%	68%	70.0%
Mother's Birth Surname	42%	65%	68.3%	70.0%

The CIS policy on data cleanup has been that direct contact with the client has not been considered necessary, efficient or optimal from the client service perspective when other areas of the Department are already in contact. However, CIS is examining situations where a number of agencies have had difficulty establishing the correct data for a client and is considering contacting the client in these instances.

He said that significant measures have been and are being taken to deal with both the results of the historical shortcomings and with future challenges in this area. He pointed out that, while the Department has taken a lead in implementing several measures of importance within the overall 'eGovernment' area, the topic cannot be considered solely as being one within its area of responsibility. Proposals in connection with the development of a framework for a public service card, known as the Standard Authentication Framework Environment or SAFE, and based on the PPS number, are currently being worked on under the aegis of an interdepartmental group and, associated with this, proposals are being developed for a national identity management and privacy protection policy. It is expected that this programme of work will be completed within the next 18 months.

Departmental Role

It is the Department's view that its responsibilities centres around the registration process, leading to the allocation of a PPS Number, and subsequent authentication and eligibility checking in respect of its own services. While the Department is aware of the value of possession of the PPS Number it would not be practicable for the Department to pursue the eligibility aspect of the use of the PPS Number for all these other users' purposes or to pursue written confirmation of their clients' reason for obtaining the PPS number.

He stated that the Department supports other agencies in their establishment and use of the PPS Number. Agencies have been issued with a Code of Practice on the PPS Number, which lists the documents that can link the PPS Number to the individual. Likewise, an information leaflet on the PPS number also addresses this. Employers have been advised by Revenue to seek back up confirmation that the quoted PPS Number belongs to the individual using it.

Identity Fraud

The Department has always been aware of identity fraud in the context of persons claiming social welfare benefits. There are legitimate concerns about 'identity fraud' and a need for a robust control system to address these concerns. The Department has an ongoing operational strategy under development for further improvement in identity fraud controls. Since 2000, considerable progress has been made in advancing and improving this area of work although there is, undoubtedly, scope for further improvement. Allocation of the PPS Number as an identity reference number needs to focus on the production of sufficient evidence to establish the uniqueness and integrity of the identity. Procedures at registration, and supporting structures *e.g.* CIS Control, have concentrated on supporting the detection of bogus identities at registration.

The Accounting Officer pointed out that Internal Evaluation of Identity Fraud in 2000, which estimated potential losses from identity fraud of between €25 million to €50 million, was carried out soon after the Department had taken sole control of the registration process. The estimate was highly speculative and based on the possibility of fraudulent claiming rather than on actual experience.

Operational Structures

He informed me that the Department is satisfied that counter staff in local offices are fully competent to perform the PPS number registration function with appropriate back-up services and this is the approach which is being taken.

A planned reduction of the number of offices allocating PPS Numbers to one per county will allow for increased co-ordination and the dissemination of document expertise. CIS Control will be able to support an increased co-ordination and training role. It is not proposed that a back office function will be established, as this would not support the face-to-face process.

The Department also plans to incorporate its inspectorate more closely in this work, in order to increase its focus on the issue of hijacked and bogus identities, as well as improving the support to local offices at registration.

The Accounting Officer indicated that major improvement plans included flagging temporary and inactive PPS numbers, highlighting numbers requiring an identity recheck and the possible publication of suspect numbers. In this regard the Department is engaged in a process of flagging inactive or dormant records and to date 600,000 have been flagged.

Legal advice has been obtained which states that the Department can retain documentation for checking and the introduction of a specific supportive legislative provision is also under consideration.

The Department plans to remove the PPS number allocation function from Branch offices and negotiations have already commenced on this.

In relation to "recent arrivals in the country", the Department has data sharing arrangements with the Garda National Immigration Bureau and Office of the Refugee Applications Commissioner for increased cross-departmental co-operation on identity procedures for those with limited identity documentation. The Department considered an Internal Audit recommendation for an alternative numbering system for asylum seekers but rejected the recommendation as being contrary to the policy of a single unique identifier for all public services.

Fraud and Error Surveys/Identity checks

Since 2004, a client identity check has been included as an integral part of the fraud and error survey process. Inspectors are asked specifically to confirm identity as part of their investigations. Surveys have been undertaken and completed on the Child Benefit and Family Income Supplement Schemes, with resulting fraud and error rates of 2.3% and 3.2% respectively. Identity was not a significant issue for either of these schemes. A survey on the Disability Allowance scheme, which commenced in early 2005, is almost completed; the initial indications are that identity is also not a significant issue for this scheme.

15.2 Agency Services - Encashments

The Department of Social and Family Affairs makes payments to its customers by means of cheques, electronic fund transfers (EFT), personalised payable orders (PPOs), post drafts and postal vouchers. Up to 59 million payment instruments are issued annually.

Charges to the accounting records of the Department are based on statements of encashment received from An Post and on payment issue records from the bank. A fundamental control in the preparation of the financial statements is the reconciliation of An Post/Bank statements to the accounting records involving the matching of payments issued to encashments. A number of matters were identified on audit as follows

An Post

- The service agreement with An Post requires it to supply to the Minister — before the 31st day of March in each year — statements, certified by An Post's statutory auditors, of the volume and value of transactions processed by it in the preceding year. None have been provided in recent years.
- Over a period of three and a half years, An Post claimed almost €2 million in respect of encashment documentation categorised as 'Lost in Transit' but no details were provided.
- The matching of the Department's record of issues to claims for their encashment by An Post revealed unreconciled items totalling in excess of €800,000. The types of unreconciled items were; no apparent issue; wrong amount; cashed after it had already been cashed; cashed after stopped. An Post applied stop payment notifications in only 40% of cases.
- The full value of An Post claims including items in dispute was charged to the accounting records as scheme expenditure.

Banks

The reconciliation of bank balances to the accounting records for old Punt accounts and recently opened euro accounts revealed unexplained differences. The differences on four of the Punt accounts were charged to scheme expenditure. The Department could not provide listings of outstanding cheques.

I sought the views of the Accounting Officer on these matters.

Accounting Officer's Response

Payment and Agency Reconciliation Project

The Accounting Officer informed me that work on a new Payment and Agency Reconciliation Project (PARP) commenced in autumn 2002 following a detailed internal review which highlighted a number of issues including difficulties in reconciling some of the Department's bank and An Post accounts.

The objective of PARP is to provide an integrated reconciliation solution, which will reconcile all the Department's payment instruments and the associated agency accounts. The systems to be replaced have been in operation since 1986 and are not linked to the Department's main financial recording system. The project is now proceeding to tender and implementation stages. It is envisaged that a new system will be in place by end 2007.

An Post

Reconciliation of Claims

The Accounting Officer stated that An Post provides the Department with monthly claims. The procedures used to reconcile these claims have been in existence since the introduction of the service agreement with An Post.

The Department has identified some changes that are necessary to the existing accounting arrangements and is consulting with An Post with a view to having these changes effected.

While the majority of the encashments reported by An Post can be verified, there are always small numbers of exceptions. An Post is notified of these exceptions. The current systems and accounting arrangements do not provide the Department with an independent means of verifying whether these exceptions have been reflected in amendments to the claims submitted to it by An Post.

The Department is also pursuing the introduction of new procedures to facilitate the handling of exceptions and the introduction of suspense accounts pending resolution of exceptions.

An Post has, to date, declined to make any changes to the current arrangements as its accounting systems cannot accommodate the changes proposed because of the level of detail required by the Department. The Department's proposals would require fundamental changes to An Post's systems and it is not in a position to make these changes.

The Accounting Officer said that it may not be possible to effect any change in the Department – An Post arrangements until a new service agreement comes into force. The Department is however reviewing accounting procedures for the An Post account, to determine if some changes to the existing arrangements can be effected independently of An Post.

Certified Statements

As regards the provision of certified statements, the Accounting Officer confirmed that An Post has not supplied certified statements for a number of years. It was not possible to have this certification shortcoming rectified in time for the 2003 Annual Statement. For 2004, An Post was formally notified in January 2005 that a statement certified by their Statutory Auditors would be required. This certification was to be provided before 31 March 2005, but has not been received to date.

'Lost in Transit' Claims

The Accounting Officer informed me that claims in respect of lost encashment documentation for the period November 2000 to June 2004 arose when this documentation failed to turn up at An Post processing offices. A particular problem related to some of the 467 non-automated post offices.

Following a review by the Department's Internal Audit, An Post was requested in January 2005 to

- Consider the introduction of more secure and accountable arrangements to handle and manage encashment documentation
- Submit claims to the Department in respect of lost documentation from post offices in a more timely fashion.

Claims made by An Post for post offices that make high value and recurring 'lost in transit' claims were also of concern to the Department.

The Department has asked An Post

- For details of the actions taken to investigate high value and recurring claims
- To outline measures introduced to prevent further repeat claims for lost documentation.

Reconciliation Exceptions

The Accounting Officer outlined the position in relation to each type of personalised payable order exception referred to

No Apparent Issue

These occur where there is an encashment but no corresponding issue. An Post has rejected claims made by the Department for these and has consistently maintained that they were valid encashments but, arise due to scanning errors or errors in the Department's issue records.

In January 2005, An Post disputed a claim for €167,000 made by the Department for these on the basis that they arose because of printing errors. The Department has raised the issue of print quality with its printers. The rate of exception in this instance is consistent with the print error rate of 0.003% and 0.006% considered by the printers as inevitable.

The Department is currently reviewing its options in relation to these cases. The Department may insist that An Post recovers all the relevant vouchers to physically confirm they are valid encashments. This would however incur additional costs for both the Department and An Post.

It may pursue other options to provide a better value for money solution.

Wrong amount cashed

Where the encashment amount differs from the issue amount An Post has undertaken to reimburse the Department.

Cashed after Cashed

This category arises where a payment item is cashed twice in error by the post office. An Post has not accepted this claim category and has not reimbursed the Department to date.

Wrong Amount and Cashed after Cashed claims for the period 2001(part) – 2004 amounting to €631,542 were notified to An Post in April 2004 and January 2005.

Cashed after stopped

These cases arise when the Department requests An Post not to cash a voucher (i.e. place a stop on it) but the voucher is still paid by the post office.

The Department's systems automatically refer such cases for investigation to line sections. An Post is billed for overpayments arising due to post office error. Otherwise the matter is referred to the Department's Debt Management Section for follow-up recovery of the overpayment.

In 2004, approximately 4,250 cases were investigated by the line sections. Refunds were sought from An Post in 67 instances. An Post refunded €31,000 in respect of 47 cases.

Banks

The Accounting Officer informed me that the reconciliation differences with the banks have arisen as a result of the complex nature of current reconciliation processes.

Reconciliations were finalised on four Punt Accounts in August 2003. Any remaining balances on the bank statements were transferred to the parallel EURO bank accounts. Unreconciled balances, which relate mainly to unmatched cheque payments, were re-charged to scheme expenditure.

In parallel with the PARP project, considerable work has taken place to resolve unreconciled differences. Progress has been achieved and appropriate adjustments reflected in the accounts. Work continues to resolve the remaining unreconciled amounts. The Accounting Officer informed me that at the end of the process, Department of Finance sanction may be sought to write off or otherwise resolve any remaining unreconciled amounts.

A detailed report of outstanding cheques is not currently available. Steps have been taken to address this particular concern and it is expected that listings will be available for the audit of the 2004 Social Insurance Fund financial statements.

15.3 Overpayments

The Department of Social and Family Affairs administers some 50 welfare schemes paid through Vote 38 and the Social Insurance Fund. Expenditure on assistance and insurance schemes was €5.82bn and €5.08bn respectively in 2004.

Tables 49, 50, 51 and 52 outline overall expenditure on various schemes over the period 2000 to 2004, and for the same period, the amounts recorded as overpayments, the amounts of overpayments attributed to fraud or suspected fraud and the Department's cumulative record of recovery since 2000.

Table 49 Scheme Expenditure

	2000 €m	2001 €m	2002 €m	2003 €m	2004 €m
Social Insurance	2,993	3,517	4,198	4,649	5,081
Social Assistance	3,425	3,983	4,940	5,460	5,821
Total	6,418	7,500	9,138	10,109	10,902

Table 50 Number and Amount of overpayments recorded for recovery (Numbers shown in brackets)

	2000 €m	2001 €m	2002 €m	2003 €m	2004 €m
Social Insurance	6.39 (15,252)	6.79 (15,786)	9.72 (23,723)	10.60 (26,174)	12.04 (26,131)
Social Assistance	20.59 (18,110)	19.26 (14,274)	19.41 (15,084)	28.77 (17,459)	44.23 (20,000)
Total	26.98 (33,362)	26.05 (30,060)	29.13 (38,807)	39.37 (43,633)	56.27 (46,131)

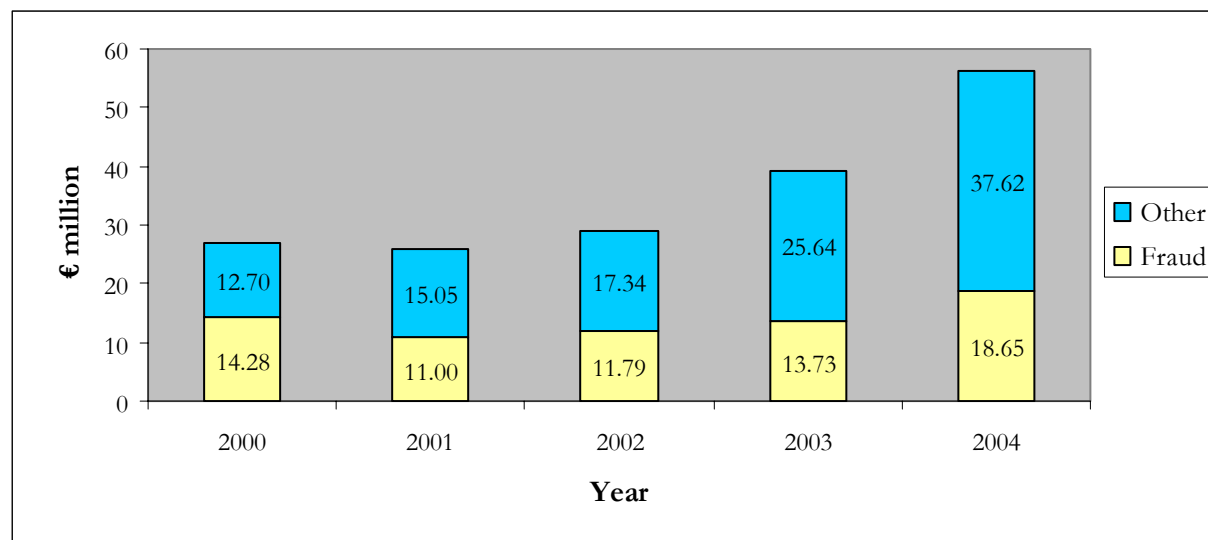
The increase in the value of Social Assistance overpayments recorded in 2004 was mainly attributable to the specific targeting in that year by the Department's Earnings Review Unit of persons in receipt of Unmarried Lone Parent and One Parent Family payments. This work had commenced in 2003. See also Table 51 below

Table 51 - Number and Amount of overpayments attributed to fraud or suspected fraud (Numbers shown in brackets)

	2000 €m	2001 €m	2002 €m	2003 €m	2004 €m
Social Insurance	3.39 (5,159)	3.27 (5,321)	4.43 (8,089)	5.00 (9,567)	6.19 (10,723)
Social Assistance	10.89 (7,466)	7.73 (5,350)	7.36 (5,696)	8.73 (7,114)	12.46 (8,435)
Total	14.28 (12,625)	11.00 (10,671)	11.79 (13,785)	13.73 (16,681)	18.65 (19,158)

The amount of overpayments attributed to fraud or suspected fraud compared to total overpayments since 2000 is summarised in Figure 1.

Figure 1



The Department's record of recovery of overpayments during the period 2000 to 2004 is shown in Table 52.

Table 52 Departments record of recovery of overpayments 2000 to 2004

	2000 €'000	2001 €'000	2002 €'000	2003 €'000	2004 €'000
Overpayments not disposed of at 1 January	60,581	64,374	65,452	70,621	85,953
Overpayments recorded for recovery	26,982	26,049	29,130	39,367	56,275
Less					
Overpayments recorded in prior years cancelled	(447)	(668)	(394)	(381)	(693)
Sums recovered in cash	(7,464)	(9,873)	(8,892)	(10,397)	(11,506)
Sums withheld from current entitlements	(4,999)	(5,185)	(6,734)	(6,521)	(8,332)
Net amounts written off as irrecoverable	(10,279)	(9,245)	(7,941)	(6,736)	(6,396)
Overpayments not disposed of at 31 December	64,374	65,452	70,621	85,953	115,301

Of the €115,300,783 overpayments outstanding at 31 December 2004 - €42,531,270 dates from 2004; €24,614,415 from 2003; €14,817,063 from 2002 and €33,338,035 from earlier years.

Shortcomings in the Overpayments Recording System

In my Value for Money Report on the Evaluation of Control Activity in the Department completed in November 2003 I drew attention to shortcomings in the system for recording overpayments.

In 2004, the Department's Internal Audit also drew attention to significant limitations in the reporting and recording system for overpayments. Other recent Internal Audit reports highlighted discrepancies between the records maintained by scheme payment sections and local office records and central overpayments system records.

Matters reported were

- Revised claim decisions applied from a current date simply to avoid having to raise an overpayment.
- Overpayments and recoveries not reported or substantially in arrears
- Recovery not pursued
- Recoveries notified to the overpayments system for which there was no corresponding overpayment record.

In the course of an audit of the Pensions Service Office carried out by my Office in February 2005, it was found that in a sample of overpayment records with ongoing recoveries some could not be traced to the overpayments system. This finding was confirmed by a matching exercise which had been independently carried out by the Department and which had identified 1,947 such records.

In view of the importance of the overpayments data as a measure of the Department's performance in relation to the proper distribution of welfare payments and the effectiveness of control activity, I asked the Accounting Officer for his observations on issues highlighted by his Department's own reviews and those arising from my audit. In particular, I invited his comments on the accuracy of the data provided by the overpayments system.

Accounting Officer's Response

The Accounting Officer informed me that the computer system for recording overpayments and recovery details currently in use in the Department has been in place since 1987. It is essentially a stand-alone system and does not interface with the Department's other computer systems. It requires a high degree of manual inputting of data, which is a time consuming process.

The manual nature of the notifications of overpayments and recoveries as well as the number of steps to be taken means there is a time lag between the overpayment/recovery occurring and the recording of the information on the system. The result is that data on the overpayments system is not always up to date. There is an increased likelihood of incomplete or incorrect data being entered on the database as well as the omission of other data from the database. The process is both slow and labour intensive.

He added that while management in Disability Benefit Unit disputed the extent to which revised decisions were applied from a current date, additional measures were put in place following the internal audit to ensure that the correct procedures were followed. As legislative provisions require that retrospective decisions should apply in all fraud cases guidelines are being prepared to emphasise this and ensure consistent application across all schemes.

As regards the problems experienced in the Pensions Service Office, he said it was unclear whether the recovery details in question had been notified for updating onto the overpayment system. These cases are now being examined in order to establish the amount recovered and whether the details have been

forwarded for updating to the overpayments system. They are time consuming to deal with and to date a total of over 600 of these cases have been dealt with.

He pointed out that the effective pursuit of overpayments on a continuous basis in respect of closed claims (customers not currently in receipt of welfare) is subject in a number of instances to the resources and other exigencies that exist in local offices. In 2004, four regions undertook projects to expedite the recovery of overpayments for closed claims. The projects have been evaluated and, as a result, guidelines are currently being drafted to develop best practice in local offices to ensure that available resources are targeted effectively with particular reference to customers who have returned to employment. In addition, procedures are being drafted to include a role for the Inspectorate in the process.

He informed me of initiatives taken recently to improve the accuracy, completeness and timeliness of the data on the current overpayments system

- All payment areas were reminded of their responsibilities in relation to overpayments and their recovery
- Cases where there have been difficulties associating recoveries with the relevant overpayments were examined and as many of these as possible were entered on the overpayments system in time to be reflected in the 2004 accounts. Unresolved cases have been sent to the relevant pay area for additional details.
- The first phase of a new overpayments system is scheduled to go live early in 2006.

15.4 Prosecutions

Cases involving abuse of the system are considered 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 either be by summary or indictment proceedings. Civil proceedings are taken to facilitate the recovery of scheme overpayments or the collection of PRSI arrears. Such cases are only taken where it has been established that the debtor has sufficient means to discharge the debt.

During 2004, 476 criminal cases (2003 - 355 cases) were forwarded to the Chief State Solicitor's Office for prosecution as shown in Table 53.

Table 53 - Criminal cases forwarded to the Chief State Solicitor

	2004	2003
Unemployment Assistance	191	146
Unemployment Benefit	226	158
Disability Benefit	9	29
One Parent Family Payments	23	1
Other Schemes	10	7
Offences Committed by Employers	17	14
Total	476	355

A total of 259 criminal prosecutions (2003 – 186 prosecutions) involving social welfare recipients were finalised in court in 2004. The total amount of overpayments assessed in these cases of persons who attempted to or obtained benefits/assistance fraudulently was €1,116,492 (2003 - €1,007,332). The results of these 259 court cases and the penalties imposed are given in Table 54.

Table 54 - Results of Court Cases involving Social Welfare Recipients

	Fines Imposed ³²	Community Service	Imprisoned	Probation Act	Proven No Penalty	Adjourned/ Liberty to Re-enter	Bound to peace
Unemployment Assistance	63	2	21	21	8	7	3
Unemployment Benefit	67	1	12	17	6	-	4
Disability Benefit	12	-	2	5	1	-	-
One Parent Family payments	-	-	-	-	-	1	-
Other Schemes	2	-	1	-	3	-	-
Total	144	3	36	43	18	8	7

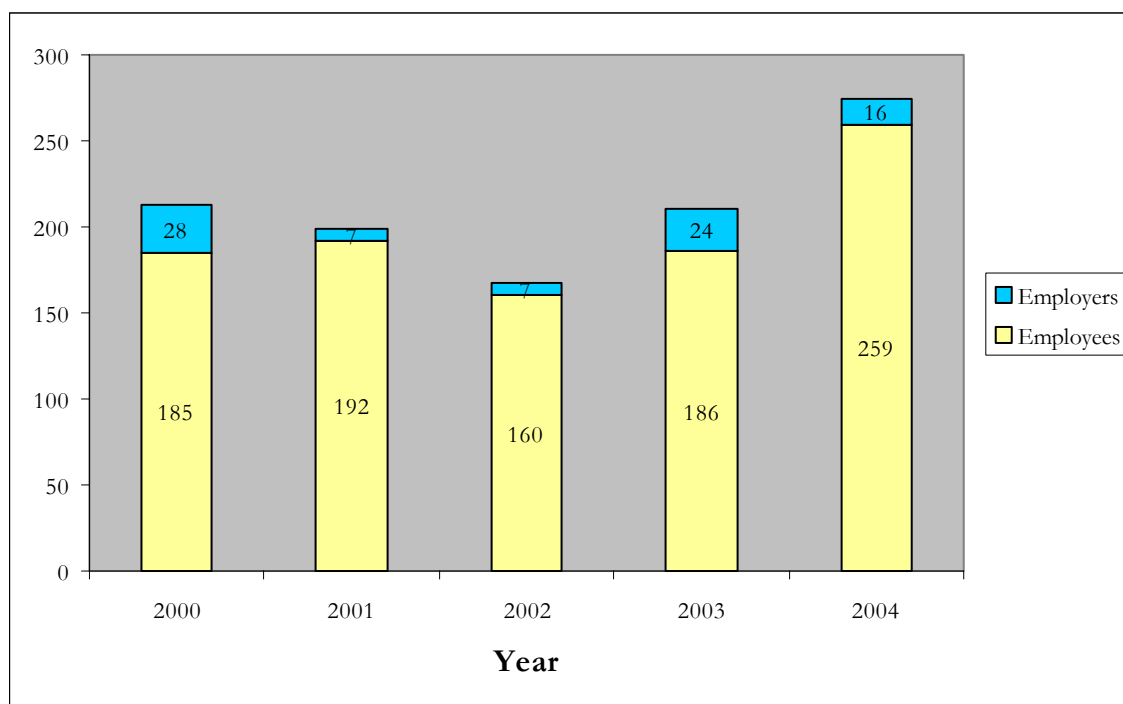
Prosecutions of 16 cases involving employers (2003 – 24 employers) were also finalised with 14 being fined³³ and 2 struck out.

³² Fines to a value of €68,886 were imposed by the courts (€54,711 in 2003 in 93 cases)

³³ Fines to the value of €7,039 were imposed by the courts (2003: €15,228 in 16 cases).

The number of prosecutions finalised in the courts since 2000 is summarised in Figure 2.

Figure 2



A total of 68 civil cases have been forwarded to the Chief State Solicitor's Office since 2000. Table 55 details the history of civil cases forwarded and the cases still before the courts or awaiting a court date.

Table 55 Civil cases sent to the Chief State Solicitor's Office

	2000	2001	2002	2003	2004	Total
To CSSO	6	14	11	21	16	68
Finalised	1	5	1	2	2	11
Pending	5	9	10	19	14	57

Of the eleven cases finalised two have been recovered on civil bills, in one case a judgment mortgage has been awarded, six are being recovered by instalment and two were not pursued due to the circumstances of the debtor.

