

## **Chapter 9**

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**Department of Social and Family Affairs**

## 9.1 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 €7.02 billion and €6.11 billion respectively in 2006.

Tables 33, 34 and 35 outline overall expenditure on various schemes over the period 2002 to 2006, 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 2002.

**Table 33 Scheme Expenditure**

|                   | 2002           | 2003            | 2004            | 2005            | 2006            |
|-------------------|----------------|-----------------|-----------------|-----------------|-----------------|
|                   | €m             | €m              | €m              | €m              | €m              |
| Social Insurance  | 4,198          | 4,649           | 5,081           | 5,460           | 6,106           |
| Social Assistance | 4,940          | 5,460           | 5,821           | 6,296           | 7,019           |
| <b>Total</b>      | <b>€9,138m</b> | <b>€10,109m</b> | <b>€10,902m</b> | <b>€11,756m</b> | <b>€13,125m</b> |

**Table 34 Number and Amount of overpayments recorded for recovery (Numbers shown in brackets)**

|                   | 2002                              | 2003                              | 2004                              | 2005                              | 2006                              |
|-------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                   | €m                                | €m                                | €m                                | €m                                | €m                                |
| Social Insurance  | 9.72<br>(23,723)                  | 10.60<br>(26,174)                 | 12.12<br>(26,131)                 | 11.02<br>(22,420)                 | 11.20<br>(21,529)                 |
| Social Assistance | 19.41<br>(15,084)                 | 28.77<br>(17,459)                 | 44.85<br>(20,000)                 | 36.24<br>(17,126)                 | 34.02<br>(18,216)                 |
| <b>Total</b>      | <b>€29.13m</b><br><b>(38,807)</b> | <b>€39.37m</b><br><b>(43,633)</b> | <b>€56.97m</b><br><b>(46,131)</b> | <b>€47.26m</b><br><b>(39,546)</b> | <b>€45.22m</b><br><b>(39,745)</b> |

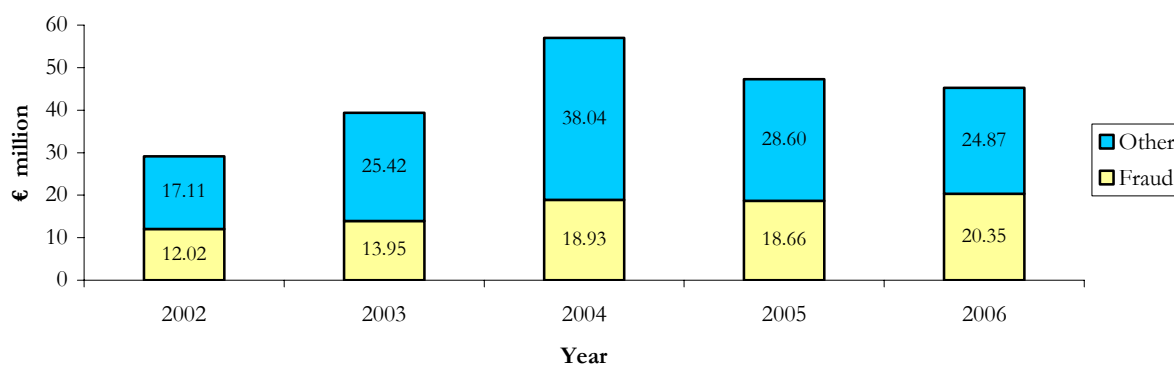
**Table 35 Number and Amount of overpayments attributed to fraud<sup>37</sup> or suspected fraud (Numbers shown in brackets)**

|                   | 2002                              | 2003                              | 2004                              | 2005                              | 2006                              |
|-------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                   | €m                                | €m                                | €m                                | €m                                | €m                                |
| Social Insurance  | 4.59<br>(8,121)                   | 5.07<br>(9,606)                   | 6.24<br>(10,771)                  | 5.53<br>(8,587)                   | 5.16<br>(7,877)                   |
| Social Assistance | 7.43<br>(5,728)                   | 8.88<br>(7,148)                   | 12.69<br>(8,483)                  | 13.13<br>(7,758)                  | 15.19<br>(8,950)                  |
| <b>Total</b>      | <b>€12.02m</b><br><b>(13,849)</b> | <b>€13.95m</b><br><b>(16,754)</b> | <b>€18.93m</b><br><b>(19,254)</b> | <b>€18.66m</b><br><b>(16,345)</b> | <b>€20.35m</b><br><b>(16,827)</b> |

<sup>37</sup> Estate cases where undisclosed means come to light are not classified as fraud/suspected fraud. The amount of overpayments recorded in respect of 258 estate cases in 2006 was €5.6m.

The amount of overpayments attributed to fraud or suspected fraud compared to total overpayments since 2002 is summarised in Figure 4.

Figure 4



The Department's record of recovery of overpayments during the period 2002 - 2006 is shown in Table 36.

Table 36 Department's record of recovery of overpayments 2002 to 2006

|   | 2002<br>€000  | 2003<br>€000  | 2004<br>€000   | 2005<br>€000   | 2006<br>€000   |
|---|---------------|---------------|----------------|----------------|----------------|
| Overpayments not disposed of at 1 January                 | 65,452        | 70,621        | 85,953         | 115,993        | 131,250        |
| Overpayments recorded for recovery                        | 29,130        | 39,367        | 56,967         | 47,261         | 45,219         |
| <b>Less</b>   |               |               |                |                |                |
| Overpayments recorded in prior years cancelled            | (394)         | (381)         | (693)          | (1,826)        | (129)          |
| Sums recovered in cash                                    | (8,892)       | (10,397)      | (11,506)       | (11,246)       | (12,032)       |
| Sums withheld from current entitlements                   | (6,734)       | (6,521)       | (8,332)        | (8,715)        | (10,509)       |
| Net amounts written off as irrecoverable <sup>38</sup>    | (7,941)       | (6,736)       | (6,396)        | (10,217)       | (4,259)        |
| <b>Overpayments not disposed of at 31 December (€000)</b> | <b>70,621</b> | <b>85,953</b> | <b>115,993</b> | <b>131,250</b> | <b>149,540</b> |

Of the €149,540,338 overpayments outstanding at 31 December 2006 - €31,017,804 dates from 2006; €29,724,801 from 2005; €36,224,296 from 2004 and €52,573,437 from earlier years.

A new Overpayments and Debt Management (ODM) computer system went live in November 2006 and is expected to be in use in all relevant areas of the Department by the end of 2007.

<sup>38</sup> Written off for accounting purposes.

The new system allows for

- Recording of overpayments details by frontline staff.
- Ongoing tracking of repayments including tracking of recovery by deduction from social welfare payments. This will require linking with the Department's legacy systems to allow for automatic transmission of data between systems.
- Production of management reports.
- Implementation of a new debt management strategy.

Expected benefits from the new system are

- The elimination of duplicate data entry of debt transactions
- Elimination of paper processing in reporting debt transactions
- More collaborative working
- More reliable and accurate debt information.

A major data clean up job was undertaken on the old overpayments system prior to migration to the new system. During this process it was decided to concentrate on the following categories of overpayments

- Cases where there had been recovery activity in the last 3 years
- Cases notified since 2000 where the outstanding debt exceeded €1,000
- Large fraud cases (in excess of €5,000) regardless of the time period.

On this basis approximately 121,000 cases were migrated to ODM. Following this work it was decided that debt that was considered to be irrecoverable, either because of its age or value, would not be migrated to the new ODM system.

The debt remaining on the old system amounts to approximately 200,000 overpayments with a value of some €82m, the vast majority of which is pre-2000 and for sums of less than €2,000. Approval is to be sought from the Department of Finance to write off these debts definitively – over 99% of these debts have already been written off for accounting purposes.

The changeover to the new computer system is to be complemented by the implementation of a new debt management strategy. The Accounting Officer informed me that the new strategy is planned for implementation in the second half of 2007. The overall goal of this strategy is to actively pursue the recovery of debt to maximise recovery levels, with due regard to value for money and with particular emphasis on recovery from people no longer dependent on welfare payments.

The main thrust of the new debt management strategy is give the Central Overpayments and Debt Management Unit a role in the pursuit of debt. The unit will concentrate on debtors no longer in contact with the Department, in particular debtors with large overpayments that were obtained fraudulently.

## 9.2 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 there is an expectation that the debtor has sufficient means to discharge the debt.

During 2006, 348 criminal cases (2005 - 412 cases) were forwarded to the Chief State Solicitor's Office (CSSO) for prosecution as shown in Table 37. Forty five cases were not deemed suitable for prosecution (2005 – 10 cases) due to the time elapsed since the offence.

**Table 37 Criminal Cases forwarded to the CSSO**

|                                 | 2006       | 2005       |
|---------------------------------|------------|------------|
| Unemployment Assistance         | 169        | 197        |
| Unemployment Benefit            | 113        | 153        |
| Disability Benefit              | 20         | 19         |
| One Parent Family Payments      | 16         | 19         |
| Other Schemes <sup>39</sup>     | 7          | 10         |
| Offences Committed by Employers | 23         | 14         |
| <b>Total</b>                    | <b>348</b> | <b>412</b> |

A total of 256 criminal prosecutions (2005 – 256 prosecutions) involving social welfare recipients were brought to court in 2006. The total amount of overpayments assessed in these cases of persons who attempted to or obtained benefits/assistance fraudulently was €1,524,435 (2005 - €1,346,770). The results of these 256 court cases and the penalties imposed are given in Table 38.

At the end of 2006, the CSSO had 806 cases on hands awaiting prosecution.

**Table 38 Results of Criminal Court Cases involving Social Welfare Recipients**

|                     | Unemployment Assistance | Unemployment Benefit | Disability Benefit | One Parent Family Payments | Other <sup>40</sup> | Total      |
|---------------------|-------------------------|----------------------|--------------------|----------------------------|---------------------|------------|
| Fined <sup>41</sup> | 50                      | 39                   | 7                  | 1                          | 2                   | 99         |
| Community Service   | 5                       | 3                    | 0                  | 1                          | 1                   | 10         |
| Imprisoned          | 3                       | 1                    | 0                  | 0                          | 0                   | 4          |
| Probation Act       | 21                      | 23                   | 0                  | 4                          | 3                   | 51         |
| Suspended Sentence  | 8                       | 6                    | 2                  | 0                          | 0                   | 16         |
| Struck-out          | 5                       | 4                    | 2                  | 2                          | 0                   | 13         |
| Dismissed           | 0                       | 0                    | 1                  | 0                          | 0                   | 1          |
| Bound to the Peace  | 0                       | 2                    | 0                  | 0                          | 0                   | 2          |
| Liberty to re-enter | 30                      | 21                   | 3                  | 2                          | 0                   | 56         |
| Withdrawn           | 1                       | 0                    | 0                  | 3                          | 0                   | 4          |
| <b>Total</b>        | <b>123</b>              | <b>99</b>            | <b>15</b>          | <b>13</b>                  | <b>6</b>            | <b>256</b> |

<sup>39</sup> Includes 6 cases involving the use of false PPS numbers (2005 - 4 cases).

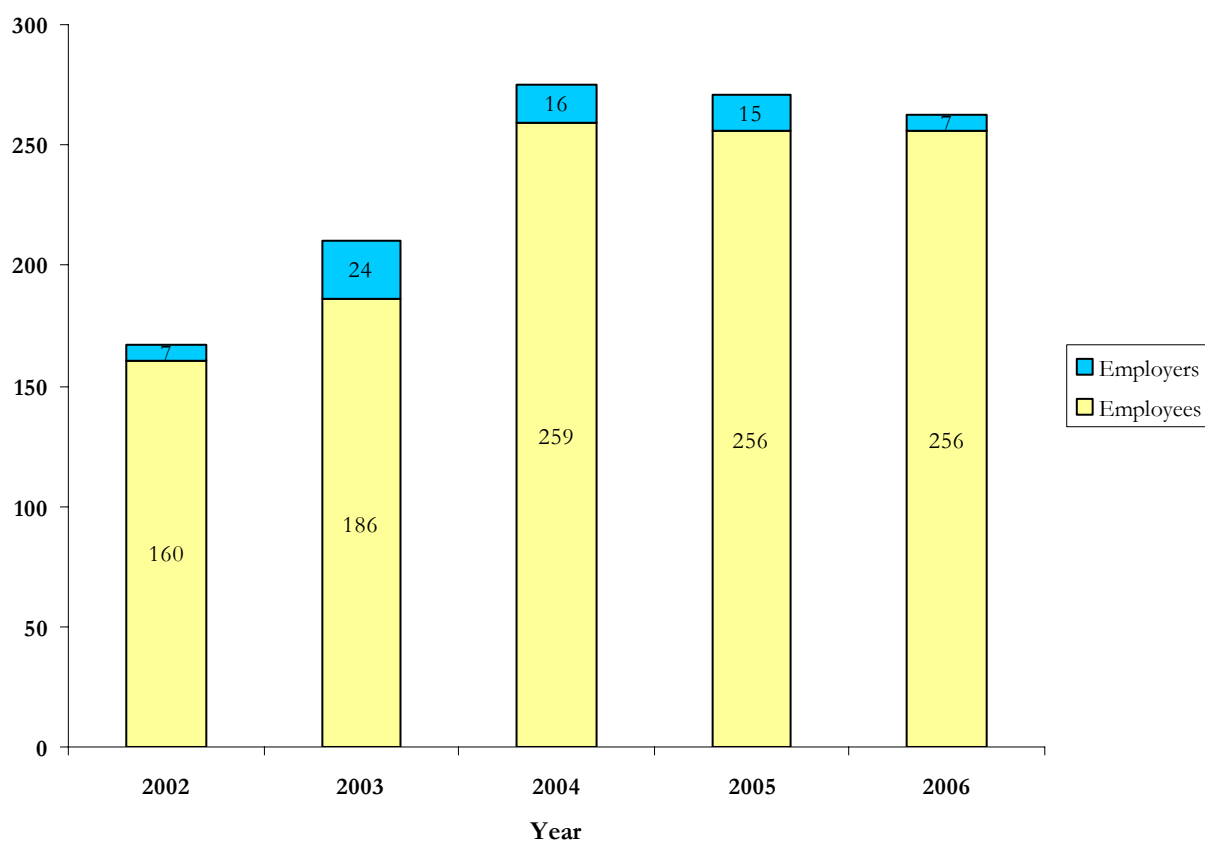
<sup>40</sup> Other 6: Disability Allowance 2, Invalidity Pension 2, Family Income Supplement 1 and false PPS Number 1

<sup>41</sup> Fines to the value of €72,321 were imposed by the courts (€56,525 in 2005 in 116 cases).

Prosecutions of 7 cases involving employers (2005 – 15 employers) were also finalised with 6 being fined<sup>42</sup> and 1 given the benefit of the Probation Act.

The number of prosecutions dealt with by the courts since 2002 is summarised in Figure 5.

Figure 5



Between 2002 and 2006 a total of 70 civil cases were sent to the CSSO for the pursuit of civil proceedings. In this period, 71 cases (including pre – 2002 cases) have been finalised. The breakdown per year is set out in Table 39.

Table 39 Civil Cases sent to the CSSO

|                          | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|--------------------------|------|------|------|------|------|-------|
| Sent to CSSO in the year | 11   | 21   | 17   | 13   | 8    | 70    |
| Finalised in the year    | 11   | 14   | 12   | 21   | 13   | 71    |

Of the 71 cases finalised, settlement was reached in 10 cases without going to court (this involved recovery of €122,096), 4 were finalised in court (decrees awarded), 18 cases were not pursued due to the circumstances of the debtor, 10 cases were statute barred and 29 made arrangements to repay the debts in instalments. There are 73 cases that have yet to be finalised.

<sup>42</sup> Fines to the value of €3,500 were imposed by the courts (€8,370 in 2005 in 14 cases).

## 9.3 Payment of Child Benefit by Electronic Funds Transfer

### Methods of Payment

Child Benefit is a universal payment paid every month in respect of qualified children. The scheme currently has some 570,000 customers in respect of approximately 1.1 million children. The cost in 2006 was €2.056 billion.

There are two methods of payment of Child Benefit – Electronic Funds Transfer (EFT) and Personalised Payable Order (PPO) - and it is up to the claimant to specify a preference. The EFT method of payment provides for the monthly lodgment of payment directly to a bank or building society account specified by the claimant. The PPO method of payment involves the issue of the PPO book to a specified address and monthly encashment by the claimant at a nominated Post Office.

The EFT method of payment of Child Benefit was introduced by the Department in 1992. A Government decision in December 2004 directed all Departments to use EFT to the greatest extent possible.

The Department has taken a number of steps to maximise the number of customers receiving payment electronically. The increased use of electronic payments has reduced administrative work for the Department, delivered cost savings and provided customers with a wider range of outlets at which to receive their payments.

The overall level of welfare recipients paid by EFT doubled in the five years up to September 2006 to 37% and had risen to 42% by February 2007. It has been the preferred method of payment in recent years and is currently increasing at a rate of 1% per month.

The method of payment to Child Benefit claimants in February 2007 is shown in Table 40.

**Table 40 Claimants' Payment Method**

| Payment Method | Number of Claimants | % of Claimants |
|----------------|---------------------|----------------|
| EFT            | 273,771             | 48%            |
| PPO            | 296,582             | 52%            |
| <b>Total</b>   | <b>570,353</b>      | <b>100%</b>    |

### Nationality of Claimants

The nationality of claimants on the Department's system is shown in Table 41.

**Table 41 Nationality of Claimants**

| Country               | PPO            | EFT            | Total          |
|-----------------------|----------------|----------------|----------------|
| Ireland               | 208,333        | 164,328        | 372,661        |
| EU                    | 11,031         | 25,311         | 36,342         |
| Non-EU                | 6,206          | 22,869         | 29,075         |
| Other <sup>43</sup>   | 69,864         | 59,674         | 129,538        |
| Unknown <sup>43</sup> | 12             | 11             | 23             |
| Blank <sup>44</sup>   | 1,136          | 1,578          | 2,714          |
| <b>Total</b>          | <b>296,582</b> | <b>273,771</b> | <b>570,353</b> |

Non-EU claimants include 4,186 asylum seekers and 3,881 work permit holders paid by EFT.

## Control Initiatives

Specific control initiatives undertaken by the Department in the Child Benefit area in recent years included a fraud and error survey, mailshots and reviews of claims.

## Fraud and Error Survey

A fraud and error survey of Child Benefit claimants was commenced in May 2004. A sample of 500 Irish nationals and 500 foreign nationals was randomly selected. The survey involved the completion of a questionnaire by those selected and follow up home visits by Department inspectors.

The results of the survey indicated that the level of fraud was 2.6% among Irish nationals and 14.4% among foreign nationals. Table 42 shows the breakdown of the fraudulent cases detected by the survey.

**Table 42 Fraudulent Cases detected by Survey**

| Reason              | Irish     | Non-Irish | Total     | EFT       | PPO       |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| Whereabouts unknown | 12        | 59        | 71        | 61        | 10        |
| Child left State    | 0         | 8         | 8         | 7         | 1         |
| Family left State   | 1         | 5         | 6         | 5         | 1         |
| <b>Total</b>        | <b>13</b> | <b>72</b> | <b>85</b> | <b>73</b> | <b>12</b> |

The Accounting Officer has informed me that the survey indicated an overall fraud level of 1.66% in monetary terms, translating into a potential €31.6m exposure annually. It was his opinion that, while this represented a considerable sum in absolute terms, the amount must be viewed in the context of the overall expenditure on the scheme of over €2 billion. He stated that it compared favourably with other schemes and internationally.

He informed me that the control activity undertaken following the survey consisted of

<sup>43</sup> Nationality description as per system.

<sup>44</sup> No nationality recorded.

- In April 2006 a mailshot issued to all claimants with children under the age of 6 – approximately 259,000. This mailshot was issued to inform customers of the introduction of the Early Childcare Supplement. Some 9,000 forms were returned undelivered and follow-up action was taken in these cases. Some 100 cases have been terminated and a further 770 have had payment suspended pending completion of enquiries.
- In December 2006 a targeted mailshot issued to 322 EU nationals (non-Irish) where cessation of employment dates had been recorded by the Department. As a result of the follow-up investigations 12 claims were terminated.
- A mailshot was currently in the process of issuing to 1,000 EU nationals (non-Irish) who had a cessation of employment date recorded between December 2006 and April 2007.
- Social Welfare Inspectors, assigned to the Garda National Immigration Bureau, contact Child Benefit section regarding people about whom they had suspicions concerning residency or other qualifying conditions. On average 6-8 cases are identified each week and fully investigated. Suspected cases of fraud have their payment stopped immediately pending investigation.

## Mailshots to all Claimants

Information leaflets informing customers of budgetary changes were issued to all claimants paid by EFT in the years 2002, 2003 and 2004. Following investigation of cases in respect of which mail was returned undelivered, 1,670 claims were terminated as the claimant was found to have either left the State or could not be located. Of these, 756 were Irish customers while 914 were foreign.

The Accounting Officer informed me that the Department makes use of mailshots both for information and control purposes. The control advantages and the frequency of using mailshots had, however, to be balanced against the cost and resource implications involved in terms of document preparation, postage costs, the work involved in processing replies and in dealing with non-replies. Between 2001 and 2005, a total of some 888,000 mailshot letters issued, of which 22,000 were returned undelivered and required investigation. As a result of the investigations, some 2,273 claims were terminated. There was a considerable administrative overhead involved in issuing and checking mailshots and this overhead had to be balanced against the control advantages that accrued. However, in view of the changing customer base of the scheme in recent years, the Department was considering how best the use of regular targeted mailshots might be increased and enhanced.

## Reviews

There is no systematic review of claims. Reviews are undertaken only on receipt of information indicating changed circumstances that may affect eligibility to payment or alter the amount payable. The sources of information are notifications from claimants, Departmental inspectors, other sections in the Department, anonymous reports from the public and post returned undelivered. A total of 17,802 reviews, approximately 3% of claimants, was carried out in 2006 predominantly because of notified changed family circumstances.

The 17,802 control reviews led to the termination of 804 cases and reduction in rate in a further 751 cases, with estimated savings of €17.9m<sup>45</sup>. The breakdown between Irish nationals and foreign nationals is not known.

Overpayments, amounting to €3.24m, were assessed by the Department in 1,912 cases.

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<sup>45</sup>As calculated by the Department.

The main reasons for overpayment were that the family had left the State (726), child had left the household (329) and child had left full-time education (234). Payment by EFT accounted for 56% of the overpayments.

In response to my inquiries as to why the Department had no systematic review process for claimants and particularly for claimants opting for payment by EFT, he informed me that traditionally the scheme had been regarded as a very low-risk scheme and a systematic review/control process would not have been regarded as necessary. The annual issue of mailshots to the claimant base would have acted as a form of de facto control and review measure. In recent years the claimant base had changed and, in line with this, the Department was planning a more formal and systematic review process for the scheme. As part of the Department's Action Plan commitments under *Towards 2016*, it had committed to drafting a review policy for each scheme. The review policy for Child Benefit would be drafted during the third quarter of 2007 and would take account of the control issues raised.

### Risks and Advantages of EFT

I enquired what steps the Department was taking to manage the additional risks associated with the EFT method of payment. In response, the Accounting Officer maintained that the potential for fraud associated with any claim is primarily dictated by the risks associated with a particular claim, for example, the claim type and characteristics of the claim, rather than the payment method.

In view of the higher fraud levels, associated with payment by EFT, disclosed by the fraud and error survey and the reviews in 2006, I enquired whether any consideration had been given to limiting the availability of the EFT method of payment. The Accounting Officer informed me that there are significant overheads involved in the production of paper-based payment instruments. PPO books covered periods up to 12 months, and where there were changes to customer circumstances that affected the rates of payment, books had to be recalled and reissued to the customer. This was a time-consuming process.

Aside from the overheads associated with paper-based payment methods, there were a number of drivers for the Department in moving towards EFT and other electronic forms of payment. These included

- The cost of EFT payments which was nominal at about €0.01 per transaction whereas PPO orders cost on average €1.21 and cheques cost €0.60
- The growing use of electronic payments in business and society generally
- The increase in the use of electronic banking and debit/credit cards on a personal level
- The Department's customer service strategy of offering customers a payment option that suits their needs
- Customer-driven initiatives in payment delivery agencies such as the recent launch of the An Post "Postbank" venture, providing expanded EFT outlets at some Post Offices.

Additionally, concerns have been raised recently regarding the high quality forgery of cheques. Although no forgeries have been detected in relation to PPO books, advances in technology mean that such forgeries may become a reality in the near future.

He stated that, at this juncture, there was no specific group of customers to whom the use of the EFT payment method was restricted. In cases where fraud/abuse comes to light, however, which was attributed to EFT as a method of payment, the facility to be paid by the EFT method might be removed.

## Enhancing Control

Given the changes in the claimant base of the scheme, the Accounting Officer stated that the Department was considering a more segmented approach to both the control and review of its claimload and also the availability of payment options to some groups. The Department was currently enhancing its IT systems under the Service Delivery Modernisation programme to record the certification of non-Irish customers in terms of residency and employment status as appropriate. This would further enhance the scheme control capabilities in terms of non-Irish customers. These enhancements would be in place during the third quarter of this year and, coupled with the review policy being drafted would enable the Department to better focus control and review activity on selected areas *i.e.* EFT payments, specific customer groups, etc.

## 9.4 One Parent Family Payment Scheme – Control Activity

### Introduction

The One Parent Family Payment (OPFP) scheme, administered by the Department of Social and Family Affairs (the Department), is available to parents/guardians bringing up at least one child without the support of a partner. The claimant must be unmarried, separated, divorced or the spouse of a prisoner with earnings of less than €375 per week. The income/assets of the claimant are subject to a means test.

Under the scheme, claimants are obliged to notify the Department if circumstances arise that render them ineligible for payment or that affect the rate at which they are paid.

**Table 43 Annual cost and number of claimants since 2002**

| Year | Cost<br>€000 | Number of Claimants |
|------|--------------|---------------------|
| 2002 | 613,035      | 79,195              |
| 2003 | 660,586      | 79,296              |
| 2004 | 694,835      | 80,103              |
| 2005 | 751,102      | 80,366              |
| 2006 | 834,262      | 83,081              |

Up to 2001 the scheme was administered by the scheme office in SWS Sligo (SWS Sligo) using a claims registration and payments issue system known as the Penlive system. Since then, in the context of the Department's Modernisation Programme, a process of transferring claims to the Department's local offices (LOs) has commenced. Recording in these offices is on a more modern computer system – ISTS. This system has a mandatory requirement for a deciding officer to set a review date which falls within the following 12 months.<sup>46</sup> In contrast, while the Penlive system has a facility to insert a review date, it is not mandatory.

41 of the 58 LOs are now processing new claims. In addition, existing claims have been transferred to 4 LOs and it is intended that all others will be transferred in the coming months. The number of cases being administered by LOs at the end of April 2007 was 28,697.

### Departmental Control Activity

The Department's control programme for OPFP is influenced by the results of a fraud and error survey conducted in 2002/3 which showed that OPFP was highly susceptible to incorrect claiming. On the basis of the survey, it was estimated that 13.6% of the claims should not have been in payment while a further 15.8% should have been paid at a lower rate.

Table 44 summarises the outcome of particular control activities undertaken in this area between 2004 and 2006.

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<sup>46</sup> Formerly 18 months.

**Table 44 Outcome of Selected Control Activity 2004-2006**

| Year         | Number of cases reviewed | Number of Terminations | Number of Reductions |
|--------------|--------------------------|------------------------|----------------------|
| 2004         | 4,024                    | 2,300                  | 779                  |
| 2005         | 5,059                    | 875                    | 2,898                |
| 2006         | 5,586                    | 1,075                  | 1,216                |
| <b>Total</b> | <b>14,669</b>            | <b>4,250</b>           | <b>4,893</b>         |

The Accounting Officer emphasised that these outcomes were based on very focused control activities conducted in SWS Sligo and that it had been anticipated that they would yield a high percentage of terminations and reductions. The projects included

- An Earnings Review Project that matches earnings data from the Central Records System with OPF payments. Priority was given to the review of customers with earnings exceeding €19,500. An additional 120 cases have been finalised to date in 2007 resulting in 90 terminations and 21 reductions.
- A Child Benefit Matching Project which involves matching child dependant data from OPF customers on the Penlive system with child data on the Department's Child Benefit System. Where mismatches are identified, claims are targeted for review. 30 terminations and 12 reductions have resulted from cases finalised in 2007.
- General Register Office (GRO) that matches marriage data with OPF claimants on Penlive. 109 terminations have resulted from cases reviewed to end May 2007.
- Local Review Projects undertaken or dealt with by outdoor staff. So far this year 131 terminations and 16 reductions have resulted from these reviews.
- General Reviews of which a further 4,310 were completed in the period January to May 2007 resulting in 607 terminations and 1,612 reductions. The vast majority of these reviews involved issuing the customer with the self-declaration questionnaire and over 3,700 of the claims involved have been transferred to ISTS, and as a result, will be reviewed annually using the system generated review form.

## Earnings Review

A major element of the control programme is review of earnings. A project was set up in 2003 to review the cases of Social Welfare claimants identified, as a result of the review of P35s, as having earnings in excess of scheme qualifying limits. The result of its work on the scheme is shown in Table 45.

**Table 45 Outcome for OPFP of Earnings Review Unit Activity**

| Year         | Terminations | Reductions | Assessed Overpayments |               |
|--------------|--------------|------------|-----------------------|---------------|
|              |              |            | Number of cases       | Amount €m     |
| 2003         | 322          | 172        | 503                   | 6.7           |
| 2004         | 1,597        | 82         | 1,339                 | 16.9          |
| 2005         | 572          | 94         | 357                   | 5.6           |
| 2006         | 499          | 55         | 281                   | 3.6           |
| <b>Total</b> | <b>2,990</b> | <b>403</b> | <b>2,480</b>          | <b>€32.8m</b> |

The average overpayment was €13,300 per case<sup>47</sup>. 1,017 cases were awaiting review at the end of 2006.

## Commencement of Employment Notifications

Another key element of the control programme is review of work undertaken on foot of notification of commencement of employment by the Revenue Commissioners (Revenue). Since 1997 the Department has systematically received information from Revenue on earnings and commencement and cessation of employment. There has been increasing usage of this Revenue data in recent years for control purposes through programmed matching with the Department's own client records.

A Commencement of Employment notification (COE) is forwarded by an employer to Revenue in respect of any employee starting employment. OPFP claims were included in the COE data matching exercise from September 2001.

This data matching exercise, to identify possible overlaps between employment periods and OPFP claims, is carried out monthly by the Department. Where an overlap is detected, and the employer details correspond with the Department's master file of employers, the Department writes to the employer. The Accounting Officer informed me that, due to resource constraints in SWS Sligo and the Department's decision to prioritise cases where the employer details were available, cases where employer details could not be matched were not followed up in that office prior to January 2007. He added that the numbers of cases where the employer's details were not available has dropped considerably since February 2007 when a problem in the notification programme was fixed.

Table 46 summarises the Department's activity in relation to overlap cases.

**Table 46 Activity in relation to overlap cases 2004 to 2006**

| Year         | No. of questionnaires issued to employers | No. of questionnaires returned | No. of cases referred to SWS Sligo | Weekly Earnings €160-€220 employed/no longer employed <sup>48</sup> | Weekly Earnings >€220 no longer employed | Weekly Earnings >€220 employed |
|--------------|---|--------------------------------|------------------------------------|---|--|--------------------------------|
| 2004         | 15,642                                    | 13,656                         | 7,372                              | 3,989   | 1,007                                    | 2,376                          |
| 2005         | 14,491                                    | 11,687                         | 6,891                              | 3,456   | 890                                      | 2,545                          |
| 2006         | 13,076                                    | 10,858                         | 6,477                              | 2,741   | 990                                      | 2,746                          |
| <b>Total</b> | <b>43,209</b>                             | <b>36,201</b>                  | <b>20,740</b>                      | <b>10,186</b>   | <b>2,887</b>                             | <b>7,667</b>                   |

My examination found that referring the matter to the employer to confirm employment details leads to an average delay of approximately twenty weeks in initiating a review of the case. The process of case referral to SWS Sligo for review and contact with clients does not commence until confirmation of overlap and details of earnings have been received from the employer. The Accounting Officer has informed me that referring the matter to the employer is necessary to obtain details of earnings and to establish whether employment is continuing because the COE notification received from Revenue provides details of the commencement of employment date only.

<sup>47</sup> As calculated by the Department.

<sup>48</sup> Cases with weekly earnings below €160 are not considered as they are eligible for full entitlement.

I also noted that there were no arrangements for the follow up of cases where employers failed to respond to the Department's inquiries. The Accounting Officer informed me that, in the case of claims administered by the LOs, where the employer does not reply, the case is forwarded to Social Welfare Inspectors for further investigation. Prior to January 2007, cases administered centrally were not routinely pursued due to pressures of work and resource constraints. The Accounting Officer has informed me that, with effect from January 2007, all cases in which a reply is not received from the employer are reviewed and a questionnaire is issued to claimants to establish employment status.

The Accounting Officer has informed me that the difference of 15,461 between questionnaires returned by employers and cases issued to SWS Sligo for review is represented by cases where the claimant was no longer in employment or had earnings of less than €160 per week. He stated that these cases did not warrant further action as this level of earnings would not affect the rate of payment received.

## Referred Overlap Cases

Review of referred cases commences by issuing a questionnaire to the claimant seeking information on all aspects of the claimant's continued entitlement. The claim is suspended if the claimant fails to reply within 21 days.

Referred overlap cases are divided into three categories as follows

- Weekly earnings €160-€220<sup>49</sup>, employed/not employed
- Weekly earnings in excess of €220, not employed
- Weekly earnings in excess of €220, employed.

Only cases involving continuing employment with earnings in excess of €220 were considered for review up to the end of 2006.

I asked the Accounting Officer why all claimants with overlaps identified from the data matching exercise were not reviewed in SWS Sligo. He informed me that SWS Sligo, due to the number of notifications involved and in order to maximise the use of available resources, prioritised activity on those cases where the earnings were likely to result in a termination or significant reduction in benefit. As a result, the section focused its work on cases where the customers were in ongoing employment with earnings in excess of €220 per week. He also informed me that all overlaps, on cases administered by the LOs, that affected the level of payment are pursued and, since January 2007, all cases in SWS Sligo identified as having earnings greater than €160 per week are reviewed.

He stated that, by its nature, the scheme raises significant control challenges in a number of aspects. The Department must use the resources available to best effect in addressing instances where claimants abuse the system and continue to claim payments to which they are not entitled. He was satisfied that, in present circumstances, the Department was doing all that it could in this regard. In relation specifically to the employment issue, he pointed out that for many employments where persons in receipt of OPFP are working, earnings would not be stable and would be subject to frequent fluctuations.

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<sup>49</sup> This is an arbitrary cut off rate chosen by the Department.

## Backlog and Outcome of Reviews Undertaken

The Department prioritised 7,667 (Table 46) cases for review in the years 2004-2006. Just over 5,500 of these had been finalised at end 2006, leaving a backlog of 2,155 cases to be addressed. The outcome of the cases finalised by end 2006 is shown in Table 47 below.

**Table 47 Outcome of Cases Finalised**

| <b>Year</b>  | <b>Total reviewed</b> | <b>Terminations</b> | <b>Reductions</b> |
|--------------|-----------------------|---------------------|-------------------|
| 2004         | 1,488                 | 564                 | 703               |
| 2005         | 2,212                 | 755                 | 891               |
| 2006         | 1,812                 | 583                 | 1,052             |
| <b>Total</b> | <b>5,512</b>          | <b>1,902</b>        | <b>2,646</b>      |

The Accounting Officer has informed me that additional staffing resources have been deployed to deal with the backlog of cases on hands. At the end of June 2007 the backlog of 2,155 cases has been reduced to 1,162.

The average weekly saving, calculated by the Department, from terminated cases was €156 in 2005 and €173 in 2006. The average weekly saving in reduced cases was €37 in 2005 and €44 in 2006.

## Audit Sample

The matching of COE data to the Department's client records and review of cases where there was evidence of concurrent working and claiming was examined by my staff. A sample of 40 finalised cases, 20 termination and 20 reduction cases, from 2005 and 2006 was selected for detailed examination and analysis of the results. Claimants' records dating back to 2002 were examined in the selected cases.

It was noted that no overpayments had been assessed by the Department in any of these cases despite the fact that in practically all cases payments had been made to claimants when they were not entitled to them under the terms of the scheme. As I was concerned that significant sums to be recovered were being forgone, I sought the views of the Accounting Officer.

He informed me that revised decisions are made by Deciding Officers and that, where a revised decision is made by reason of a customer giving false or misleading statements or by reason of the wilful concealment of a material fact, the revised decision may take effect from the date of the original decision. However where a revised decision is made in the light of new evidence or new facts being brought to the attention of the Deciding Officer, the decision is effective from the date the Deciding Officer considers appropriate. Consequently the question of whether or not an overpayment arises is determined by the provision of the Social Welfare (Consolidation) Act, 2005 (the Act) under which the decision is made by the Deciding Officer.

The Accounting Officer has informed me that the question as to whether a decision to revise the rate of payment in a particular case should apply from a previous date and, consequently, whether an overpayment arises must be decided by the Deciding Officer having regard to the circumstances of the case. A delay in matching earnings data already available would be a factor to be taken into account in this regard.

He also stated that not all cases coming to light as a result of COE matching are regarded as fraud cases and, in some circumstances, the Deciding Officer may decide that it would be appropriate that the revised decision would take effect only from a current date. In such cases, no overpayment arises.

It was the Department's experience that, in cases where the decision was applied from an earlier date and an overpayment raised, a large number of appeals were lodged against the overpayment. This delayed the process and absorbed a substantial number of staff resources, which would otherwise have been deployed on control work, in responding to these appeals.

## **New Review Policy**

I enquired of the Accounting Officer if the Department had a comprehensive review policy for the scheme and, if so, how regularly it provided for all claims to be reviewed.

He informed me that the Department had introduced a formal review policy for claims administered in its LOs in May 2007. Furthermore, with effect from January 2007, all customers who were reviewed (including COE cases) were transferred to the ISTS system on completion of review. The ISTS system generated an annual review of all customers. In the context of the localisation of the scheme, enhanced control measures had been put in place, which included the issue of a questionnaire annually to ensure compliance. A further feature of the enhanced controls is the comprehensive review policy that provides for a face-to-face interview with each claimant once every three years.

Furthermore he assured me that, with effect from 1 June 2007, overpayments are assessed in SWS Sligo as warranted by the circumstances of each individual case. This brings it into line with practice in the LOs.

## 9.5 Advance payment of grant to Sustainable Energy Ireland

### Background

Sustainable Energy Ireland (SEI), formerly the Irish Energy Centre, was set up in its present form by the Government in 2002 as Ireland's national energy agency. It operates under the aegis of the Department of Communications, Marine and Natural Resources. The Department of Social and Family Affairs' (the Department) relationship with SEI and its predecessor, the Irish Energy Centre, derives from recommendations made in the 1999 Green Paper on sustainable energy and approved by the Government at that time. These called for co-operation between the Department and the Department of Communications, Marine and Natural Resources in relation to fuel poverty.

Budget 2006 provided for a grant of €2m to SEI for fuel poverty research. The rationale for the grant was that, while the Department was making considerable payments to people to meet their heating needs through primary social welfare payments and the Fuel Allowance scheme, the benefit of these payments was considerably offset where people were living in poorly insulated homes. The grant to SEI was incorporated in the 2006 published Estimates as subhead W13 in the Miscellaneous Services subhead.

SEI's initial proposal for use of the grant was submitted to the Department in March 2006 and, following discussions, a revised proposal was submitted by SEI in July 2006. This proposal was approved by the Department.

The Budget grant was intended to complement the Fuel Poverty Action Research Project being carried out in Cork and Donegal in a joint operation funded by SEI and the Combat Poverty Agency. SEI proposed to utilise the grant by undertaking a project for owner occupied dwellings in Waterford city and county – an area regarded as vulnerable to fuel poverty. The work proposed included both insulation and heating measures. The grant was to cover the cost of setting up the project, arranging for remedial work to be carried out on approximately 460 houses, conducting research surveys, analysing the resultant data and submission of a formal report. Waterford was chosen because it provided a suitable population base for the project and also because SEI's main programme, the Warmer Homes Scheme, did not operate there.

### Payment of Grant

Sanction was requested from the Department of Finance in August 2006 for full release of the €2m grant; it was received in early September and payment was made shortly afterwards. The bulk of the expenditure was to be expended on labour and materials required to undertake the remedial works. The grant was paid in one instalment as the project was viewed by the Department as a single, once-off programme. At the time of issue of the grant, it was anticipated that work on the programme would commence immediately. As it turned out, the research did not commence as quickly as expected and no expenditure on the project was incurred by SEI in 2006.

As *Public Financial Procedures* require that Departmental payment arrangements should have ensured that, prior to payment of the grant being made, expenditure would be incurred within the year, I asked the Accounting Officer why the grant was paid to SEI without any evidence that it was likely to be expended in 2006. I also requested a monthly schedule of all expenditure made to date by SEI on the project.

In reply the Accounting Officer informed me that he accepted that the correct process was not followed in regard to this payment to SEI. The grant should not have been paid until the work on the home improvements was about to commence. Furthermore, it would have been appropriate to pay these moneys to SEI on a phased basis as elements of the work were completed. The payment of the grant in

this instance was an exceptional event and payment of grants was no longer a feature of the Department's work to the same extent as in the past. Nevertheless, it was important that the correct procedures be followed in all cases of this kind. He stated that he was arranging for the grant disbursement process to be revised to ensure that staff are aware of the requirements in this regard.

He also informed me that, as at the end of June 2007, €145,553 had been expended on the project by SEI with a further €49,164 committed. The installation work was, at that stage, fully underway with an expected finish date of August 2007. Final invoices were expected to be processed in September 2007 and a report would be compiled in late 2007.

## **Appropriation Account**

As this amount of €2m was charged to Subhead W in the 2006 Appropriation Account originally submitted to me for audit, it was necessary to amend the account by reducing the charge to the subhead and charging the amount to suspense pending expenditure in 2007.

