

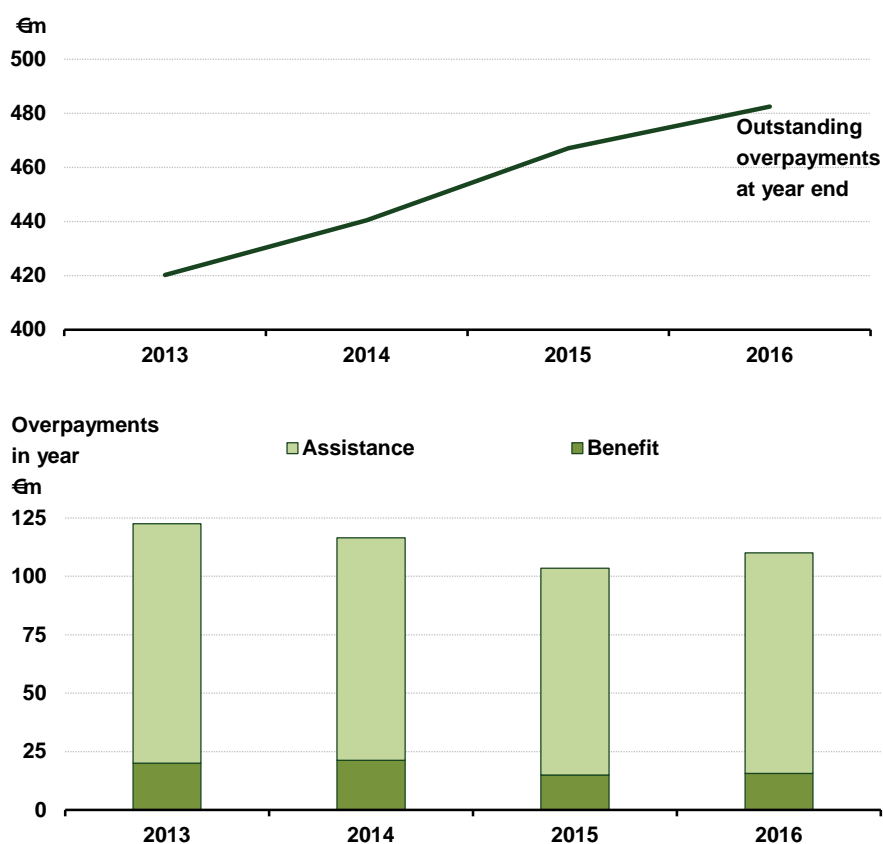
17 Management of Social Welfare Overpayments

- 17.1** The Department of Employment Affairs and Social Protection (the Department) makes income support payments to about 1.6 million people each week. Its overall expenditure in 2016 was €19.2 billion.¹
- 17.2** The Department provides support to individuals and families through a variety of schemes that are funded through the Vote for Social Protection and the Social Insurance Fund (SIF). Vote funded schemes are mainly in the nature of social assistance, usually based on means tests. SIF funded schemes are based on social insurance, where eligibility is dependent on the level of the claimants' recorded PRSI contributions.²
- 17.3** An overpayment of income support arises where the Department finds evidence that a claimant has received a payment to which they were not entitled or the level of payment they have received exceeds their entitlement. An overpayment may come to light where
- a claimant provides new information voluntarily
 - a third party provides relevant information (e.g. an informant, or data matching)
 - as a result of control activity by the Department.³
- 17.4** When an overpayment is identified, the payment is terminated or reduced to the correct level. A legally enforceable debt is recorded. One of the objectives of the Department's *Compliance and Anti-Fraud Strategy 2014-2018* is to actively pursue such debts until fully recovered.
- 17.5** In the period 2013 to 2016, the Department recorded overpayments of between €100 million and €120 million annually. Over the same period, the level of overpayment debt outstanding at year end increased from €420 million to €482 million (See Figure 17.1). During this period, welfare expenditure decreased by 8.7%.
- 17.6** This report is based on the results of the audit of overpayments carried out as part of the audit of social welfare schemes. It also examines
- the Department's procedures for managing overpayment debt
 - the causes of overpayments
 - how successful the Department has been in recovery of recorded overpayments
 - enforcement action taken by the Department.

¹ Overall scheme expenditure in 2016 comprised €10.7 billion from the Social Protection Vote and €8.5 billion from the Social Insurance Fund.

² Other eligibility may also apply.

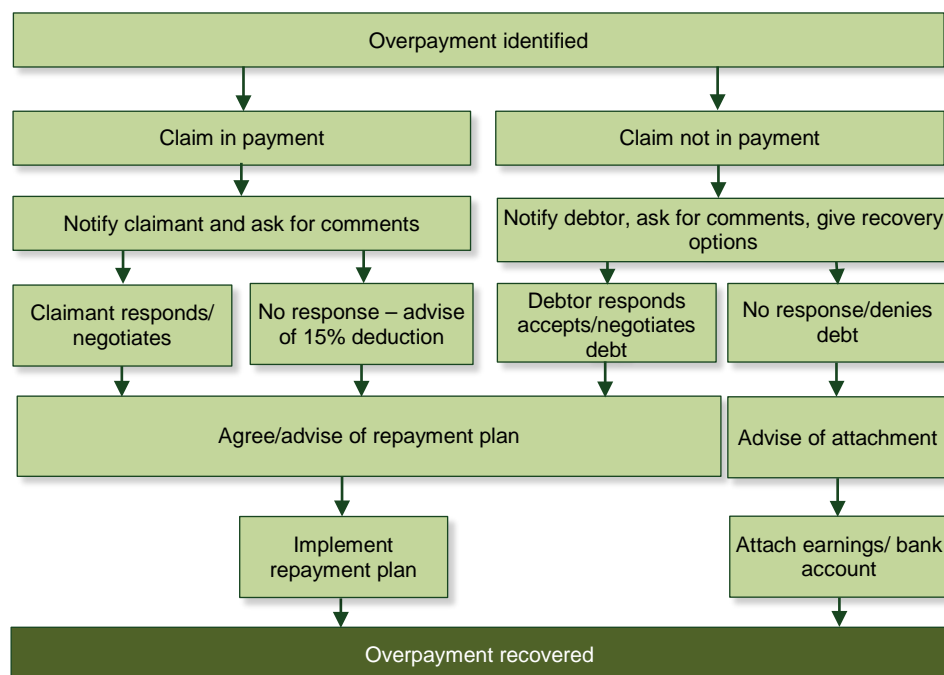
³ The Department's control activity includes control reviews, fraud and error surveys, internal audit, special investigation unit and predictive analysis modelling.

Figure 17.1 Overpayments identified, 2013 to 2016

Source: Department of Employment Affairs and Social Protection

Recovery procedures

- 17.7** The Department implemented a new Debt and Receipts Accounting System (DRAS) in November 2014 to manage debt and cash receipting. The system involves an increased level of automation in recovery and communications with debtors. It is designed to ensure that correspondence in respect of debts issues promptly and that periodic statements of outstanding debts issues to debtors.
- 17.8** Figure 17.2 summarises the overpayment recovery process following the introduction of DRAS. This distinguishes between cases where the debtor is still a claimant of income support, from cases where the debtor is no longer in receipt of payments.

Figure 17.2 Overpayment recovery process

Source: Department of Employment Affairs and Social Protection

Reasons for overpayments

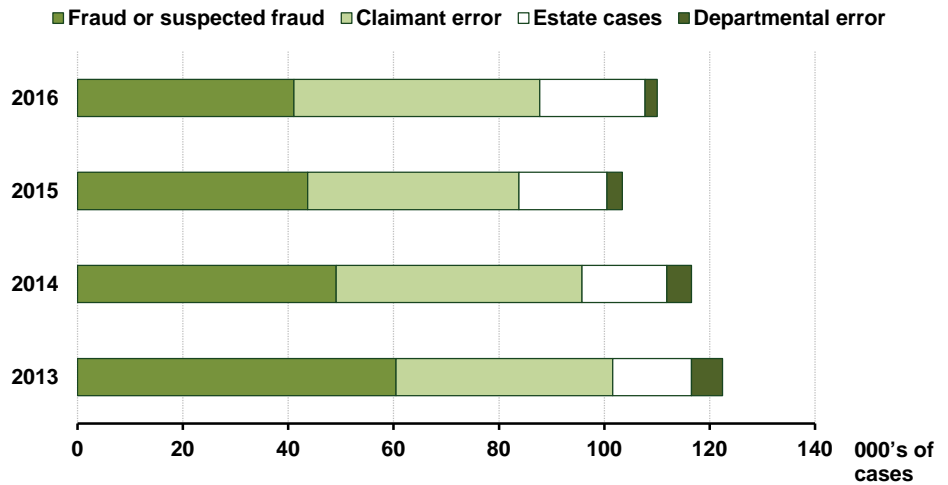
17.9 The Department categorises overpayments as follows

- **fraud and suspected fraud** — where it appears that the claimant knowingly gave false or misleading information or wilfully concealed relevant information
- **claimant error** — due to inadvertent claimant error in providing or not providing information
- **departmental error** — mainly arises where information held by the Department is not acted upon correctly
- **estate cases** — arise where subsequent to the death of a person in receipt of social assistance it comes to light that not all of the deceased's means had been disclosed.

17.10 There was some change in the recorded reasons for overpayments between 2013 and 2016, as indicated in Figure 17.3.

- 49% of the value of overpayments identified in 2013 was attributed to fraud or suspected fraud. This had fallen to 37% in 2016.
- The proportion of overpayments categorised as departmental error fell from 4.8% to 2.1%.
- There were increases in the level of overpayments attributed to claimant error (up from 34% to 42%) and estate cases (up from 12% to 18%) over the period.

Figure 17.3 Reasons for overpayments recorded, 2013 to 2016



Source: Department of Employment Affairs and Social Protection

Recovery of overpayments

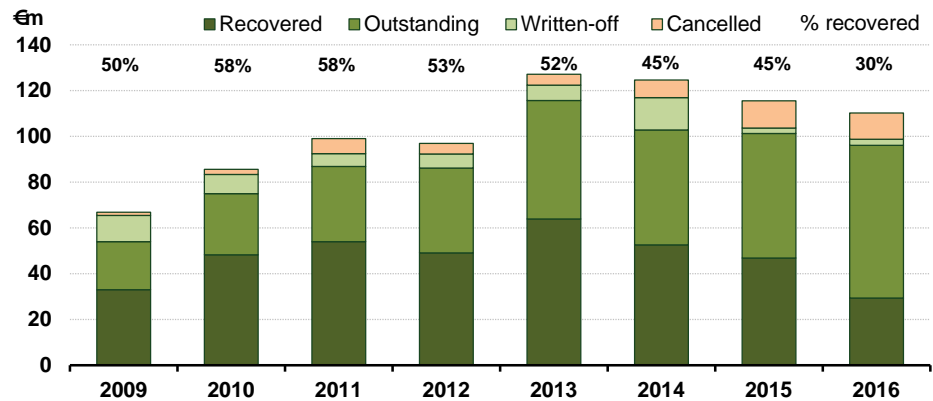
17.11 The Department recovers overpayments in two ways

- direct payments (lump sum or instalments) by claimants or their estates (cash)
- withholding some or all of welfare entitlements (deductions).

17.12 Figure 17.4 analyses the status of debt recorded each year from 2009 to 2016, and indicates the status of that debt at the end of 2016. This indicates that some debts recorded each year are subsequently cancelled.

17.13 Based on the performance up to end 2016, the rate of recovery of recorded debt (i.e. after cancellations) is around 30% in the year the overpayment is identified. The rate of recovery increases over time, to a level of between 50% and 60% after three or four years.

Figure 17.4 Status of debt recorded 2009 to 2016 as at 31 December 2016



Source: Analysis by Office of the Comptroller and Auditor General

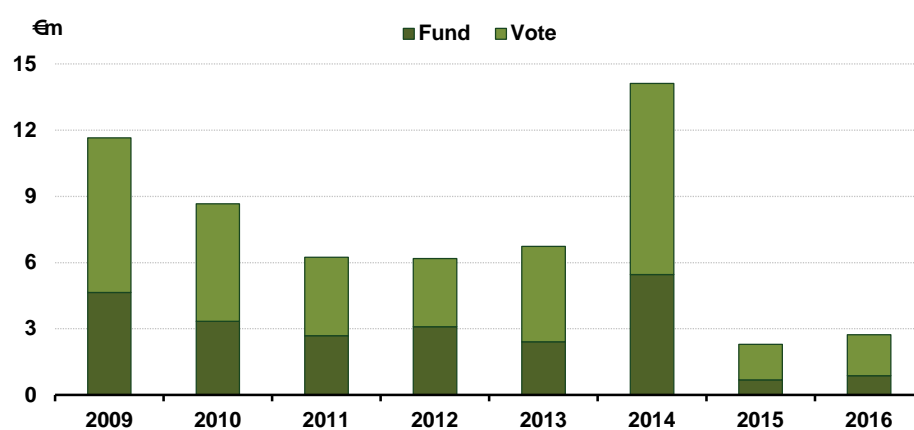
Note: Pre-2009 debt of €141.6 million outstanding at 31 December 2016 is not included. Information prior to 2009 is not available in respect of the original value of the overpayment recorded, amounts written off or recovered.

- 17.14** The Department has stated that a number of factors need to be taken into account when considering the recovery of overpayment debt including
- temporal factors and dimensions, such as elapse of time since the debt was recorded, recovery actions commenced or similar factors
 - the impacts of debt management actions such as write-offs or write-downs in the value of the debt
 - opportunities and methods available to the Department to pursue recovery, particularly in the period prior to the introduction of new statutory powers to support recovery actions.

Write-off of overpayments

- 17.15** Overpayments can be written off where it is deemed that there is no realistic prospect of repayment. For example, this could occur where
- a debtor has died and insufficient funds remain in their estate to repay the debt
 - where the Department failed to act within a reasonable time frame on information regarding a change of circumstances provided by the recipient
 - where the debt arose due to departmental error and the person could not reasonably be expected to know that the error had occurred
 - where there is insufficient evidence of an older debt.
- 17.16** Only authorised officers may write off debts. The write-off is carried out on the DRAS system. The reason for the write-off must be clearly recorded by way of a case note outlining the circumstances. Figure 17.5 shows the level of overpayments written-off from 2009 to 2016.

Figure 17.5 Overpayments written-off 2009 to 2016



Source: Office of the Comptroller and Auditor General

- 17.17** The level of write-off of overpayments spiked in 2014, when a total of €14.1 million was written off. The spike was as a result of a review of overpayments by the Department on the introduction of DRAS. As part of the migration of data, the Department wrote off
- debts with an individual outstanding value of less than €100 each and with no recovery activity in a period of 24 months prior to November 2014 — total value €1.3 million in 29,065 cases
 - debts of persons who were deceased and where no estate recovery activity was pending — total value €7.4 million and 4,222 cases.

17.18 A total of €2.7 million was written off in 2016. Figure 17.6 shows the reasons recorded for these write-offs.

Figure 17.6 Reasons recorded for write-off of overpayments in 2016

Reason	€	Number	Average debt €
Agreed settlement ^a	874,841	202	4,331
Debtor deceased	578,512	1,912	302
Extenuating circumstances ^b	510,675	573	891
Central Debt Management Policy ^c	366,912	4,755	77
Department failed to act within reasonable time ^d	149,407	162	922
No prospect of recovery	259,774	376	691
Other	12,578	48	262
Written back ^e	(24,726)	10	2,473
	2,727,973	8,038	339

Source: Office of the Comptroller and Auditor General

- Notes:
- a Formal settlements are usually in estate cases or for very large value overpayments.
 - b Cases where the Department took a decision to write-off debts in order to avoid imposing undue economic hardship on debtors, where this is found to be warranted given the particular circumstances of the individual cases.
 - c Small value or residual debt cases considered to be irrecoverable and written off by the Central Debt Unit.
 - d The Department having received information in relation to individual cases had not acted on it by way of adjusting payments or seeking recovery within a reasonable length of time.
 - e Cases previously written off which were written back in 2016.

Recoverability of debt

17.19 The principal factors affecting the recoverability of social welfare debt include

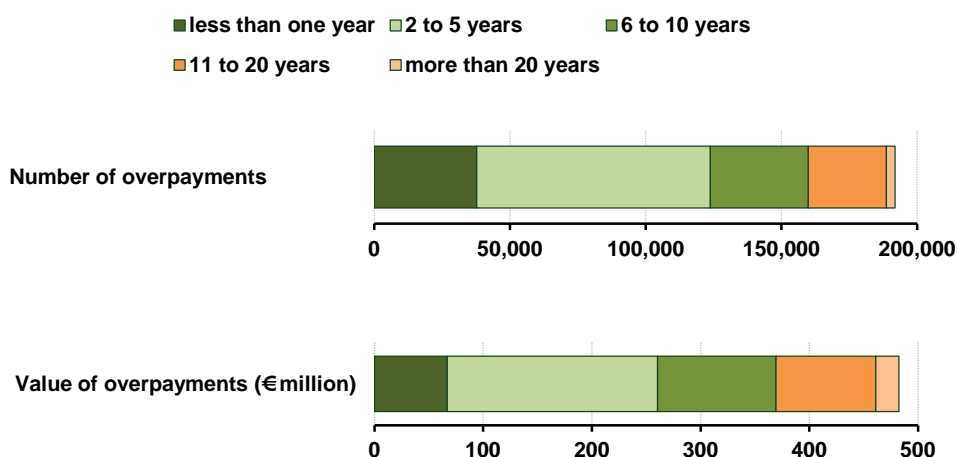
- age of the debt
- size of the debt
- status of the debt.

Age of the debt

¹ The Department of Public Expenditure and Reform issued a good practice guide for collection of debt by public bodies in January 2017.

17.20 Good practice¹ for debt recovery indicates there should be early engagement with debtors because as debt ages, it typically becomes more difficult to recover. Figure 17.7 shows the age of overpayment debt outstanding at 31 December 2016.

Figure 17.7 Age of overpayment debt at end 2016, by number and value










Source: Analysis by Office of the Comptroller and Auditor General

- 17.21** Less than 14% of the overpayment debt outstanding at 31 December 2016 was recorded in 2016. Over 46% of overpayments (by value) are more than five years old, and almost a quarter are more than ten years old.

Size of debt

- 17.22** Some very small debts remain inactive on the system — a combination of small amounts originally recorded and residual balances of overpayments on which repayment activity has ceased. Where the debt is large, the debtor may not have the resources to repay e.g. if the debtor is in receipt of a welfare payment, the amount recoverable by way of deduction may not materially impact a large amount outstanding.
- 17.23** Figure 17.8 shows the debt outstanding at 31 December 2016, stratified by value and showing the number of debtors and the total value in each band.

Figure 17.8 Size of debt — number and value

Value of individual debts	Number and value of debts in this category	Total
€-100		36,211 individuals €1.6 million
€101-500		68,574 individuals €17.4 million
€501 to 1,000		26,642 individuals €19 million
€1,001 to 5,000		39,964 individuals €89 million
€5,001 to 10,000		9,473 individuals €6.5 million
€10,001 to 50,000		9,814 individuals €198.3 million
Over €50,000		1,156 individuals €90.7 million
Total		191,834 individuals €482.5 million

Source: Analysis by Office of the Comptroller and Auditor General

- 17.24** Just under 11,000 debtors (5.7% of the total) accounted for debts of €289 million (60%) outstanding at the end of 2016.
- 17.25** The Department's Central Debt Unit (CDU) manages 1,156 debtor cases involving debts of €50,000 or more (average debt €78,500). In these cases CDU substantiate the overpayment and
- for a debtor in receipt of a current welfare payment, an appropriate recovery plan is notified to the debtor and deductions from on-going social welfare payments are implemented
 - for debtors not receiving an ongoing social welfare payment, CDU writes directly to the debtor seeking recovery of the sum overpaid. If there is no engagement by the debtor; CDU initiate the process to make an attachment order.
- 17.26** The examination reviewed the largest cases of overpayments on hand at end 2016 — six cases where the overpayment amount calculated by the Department was in excess of €200,000 each (See Figure 17.9).

Figure 17.9 Debts over €200,000 — number and value

Details of overpayments (with date determined)^a	Balance outstanding at 31 December 2016 as % of original debt	Outcome of Department investigations	Recovery status
Fraudulent claim(s) due to impersonation (August 2013)	€ 333,463 100%	Claimant was convicted and received a 5 year custodial sentence.	Person in custody. Recovery where person is on temporary release.
Suspected fraudulent claim(s) due to impersonation (April 2016)	€332,632 100%	Case under investigation by An Garda Síochána.	Recovery actions pending.
Suspected fraudulent jobseekers assistance claim 1995 to 2012 (February 2015)	€ 258,419 100%	Case under investigation by An Garda Síochána.	Deductions (€90 per week) in place on welfare payments since February 2017.
Suspected fraudulent one parent family claim(s) 1992 to 2014 (January 2015)	€ 214,292 99%	Prosecution considered but determined not to be appropriate.	Deductions (€15 per week) in place on welfare payments.
Suspected fraudulent jobseekers assistance claim(s) 2002 to 2013. (November 2014)	€213,814 92%	Prosecution considered but determined not to be appropriate.	Deductions (€80 per week) in place on welfare payments.
Suspected fraudulent one parent family claim(s) 1990 to 2013. (September 2014)	€ 206,082 100%	Prosecution considered but determined not to be appropriate.	No personal welfare payment. Attachment order under consideration.

Source: Department of Employment Affairs and Social Protection

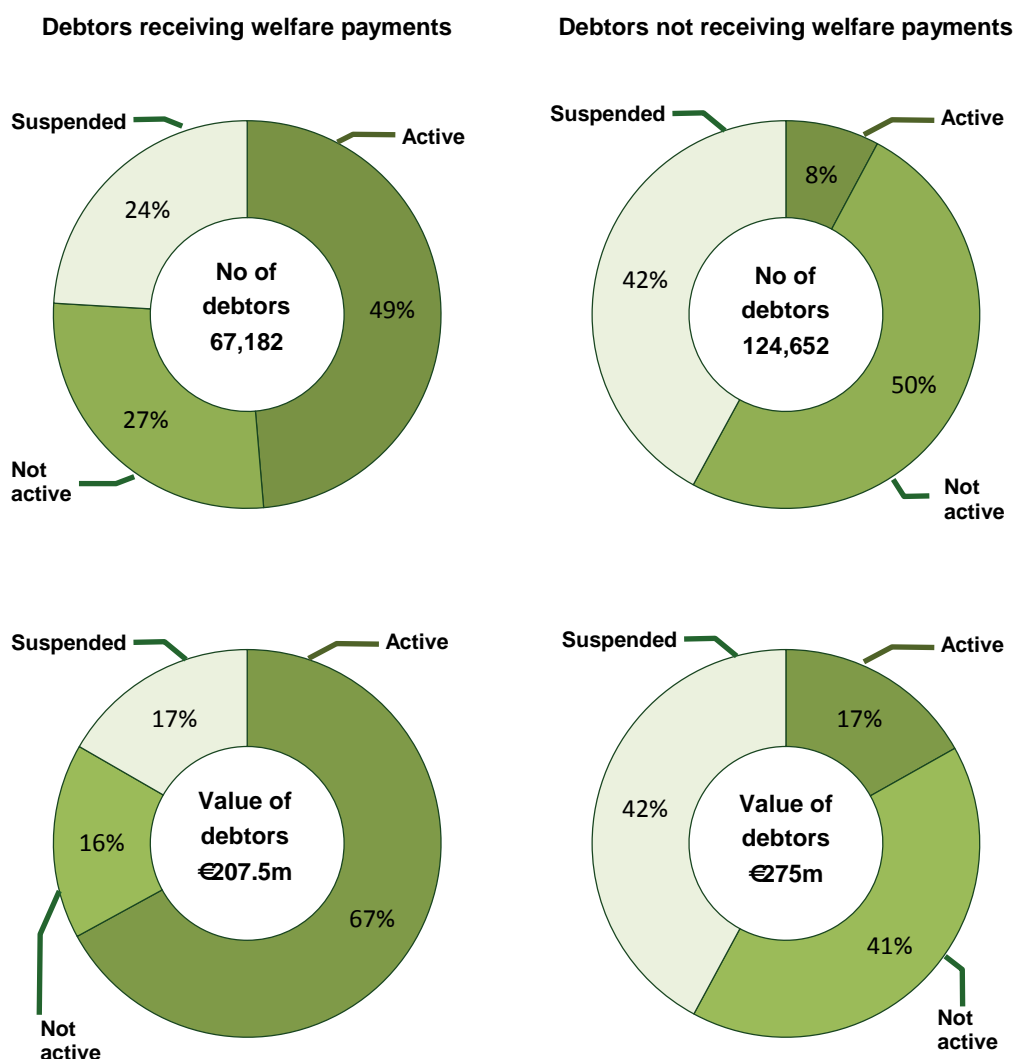
Note: a An overpayment exists from the date a deciding officer determines the matter under the social welfare acts and records the overpayment on DRAS.

Status of debt

17.27 The Department assigns a marker to each debt record which indicates the current status of the debt. Figure 17.10 shows the status of outstanding debts at 31 December 2016. The indicators used are

- Active — repaying: a payment has been received from the debtor in the past five weeks
- Active — not repaying: the debtor has not made a repayment in the previous five weeks or the debtor is repaying an older debt
- Suspended — no recovery actions in place.

Figure 17.10 Status of debt at end 2016



Source: Analysis by Office of the Comptroller and Auditor General

- 17.28** Where a claimant is currently in receipt of a welfare payment from the Department, legislation provides for the recovery of overpayments by way of deduction at a rate of up to 15% of the personal rate after engagement with the claimant. However, overpayments relating to other welfare schemes cannot be recovered from child benefit payments.
- 17.29** A total of 67,182 overpayments are in respect of individuals currently in receipt of a welfare payment. Some 34,412 debts to the value of €68.4 million were held by individuals in receipt of a welfare payment but who were not repaying any of the amounts owed.
- 17.30** A total of 68,562 debts are shown as suspended meaning that no recovery is currently in place.
- 17.31** The amounts shown include overpayments relating to debtors who are deceased. A total of 9,275 debts representing €31 million of the overpayments outstanding at 31 December 2016 relate to deceased individuals.

- 17.32** Of those debtors who are no longer in receipt of a welfare payment, less than 8% of the overpayments, representing €46.3 million (17% of the value of such debts), are being actively repaid.

Legal enforcement

- 17.33** Legal action by the Department may entail criminal prosecutions in relation to significant cases of welfare abuse and/or civil proceedings to facilitate the recovery of welfare overpayments or the collection of PRSI arrears.

Criminal prosecution cases

- 17.34** The Department seeks to prosecute the more serious cases where there is strong evidence of fraud. In considering cases for prosecution, the Department uses criteria such as the duration and amount of the fraud and the previous history of the case. Weightings are then applied to each of the criteria to assess cases suitable for prosecution.
- 17.35** The number of overpayments on social welfare schemes in 2016 attributed to fraud was 16,225. A total of 1,305 of these fraud overpayments had values above €5,000. In 2016, a total of 222 cases were considered by the Department's Central Prosecution Unit for criminal proceedings.
- 17.36** Figure 17.11 shows the number of cases sent forward for prosecution from 2013 to 2016.

Figure 17.11 Number of cases sent forward for prosecution, 2013 to 2016

	2013	2014	2015	2016
Social Welfare Act ^a	198	201	202	181
Criminal Justice Act ^b	68	115	151	160
Total	266	316	353	341

Source: Department of Employment Affairs and Social Protection

Notes:

a These types of cases include where claimants fail to notify a change in circumstances; knowingly make false declarations or conceal material facts; obstruct a social welfare inspector; or fail to remit insurance contributions deemed to be due.

b Under the Criminal Justice Acts, prosecutions are taken against persons who defraud the social welfare payments system and employers who fail to carry out their statutory obligations. The types of cases include impersonation; misuse of a public service number; living outside the State while claiming benefits or assistance only available to residents; fraud; making materially false statements; using false documentation to gain a welfare payment; misuse or unlawful destruction of documents; repeat offending; deliberate concealment, deception conspiracy or corruption.

- 17.37** In cases such as impersonation, identity fraud and where offences can be classified as theft and/or fraud, the offence is considered to be more suited to prosecution under the Criminal Justice (Theft and Fraud Offences) Act 2001 given the seriousness of the alleged offence.
- 17.38** The number of cases sent forward for criminal proceedings in 2016 was 341, of which 181 cases were referred to the Chief State Solicitor and local State solicitors, and 160 were referred to An Garda Síochána under the Criminal Justice (Theft and Fraud Offences) Act 2001.

Outcome of prosecution cases

17.39 Figure 17.12 shows the outcome of cases prosecuted under the Social Welfare Act from 2013 to 2016. Data are not currently available in respect of cases referred to An Garda Síochána.

Figure 17.12 Outcome of Social Welfare Act prosecution cases^a, 2013 to 2016

	2013	2014	2015	2016
Fine imposed	121	162	129	104
Probation Act	32	31	41	36
Suspended sentence	21	31	16	17
Struck out	6	13	15	11
Withdrawn	5	3	9	6
Prison sentence	2	7	2	4
Dismissed	1	5	0	4
Community service	2	5	13	4
Other	2	7	6	2
Total	192	264	231	188

Source: Department of Employment Affairs and Social Protection

Note: a Refers to claimant overpayment cases only. The number of referrals differs from the number of hearings completed due to time lags in the process.

17.40 In addition to proceedings against welfare recipients, six employer-related cases were finalised in 2016. Fines were imposed in two of these cases averaging €600. One received the Probation Act and three were withdrawn.

17.41 At the end of 2016, 565 cases were on hand with State solicitors and were at various stages of the prosecution process.

Civil debt enforcement proceedings

17.42 In civil cases, the person's ability to repay the debt is examined. The Department stated that proceedings are not taken in circumstances where the debt is being repaid, or the debtor is not in a position to repay or does not have any assets. Civil proceedings in such cases would be pointless and would result in significant costs to the Department.

17.43 The Department pursues civil proceedings to recover debts only where there is a reasonable expectation that the debtor has sufficient means to discharge the debt. The Department has stated that it has made limited use of civil proceedings to recover debts due to the costs involved in prosecutions and having considered the facts of the individual cases and the circumstances of the debtor.

17.44 Between 2013 and 2016, the Department finalised 36 civil proceedings.

- Positive outcomes were achieved in 16 cases. These 16 cases consist of eleven instalment arrangements and five court judgements in favour of the Department
- The remaining 20 cases were terminated due to changes in the circumstances of the debtor (eight cases) or because the case had become statute barred (twelve cases). The usual source of delay leading to a case becoming statute barred is in assembling sufficient evidence to support the case.

- 17.45** At the end of 2016, the Department had 16 civil cases that had yet to be finalised. The equivalent figure at the end of 2015 was also 16.

Attachment orders

- 17.46** The Social Welfare (Consolidation) Act 2005 (as amended) gives the Department the power of attachment.¹ The Department may attach amounts held in financial institutions or owed by an employer to a person who has a debt to the Department. This is done by serving a notice of attachment on the financial institution or employer.
- 17.47** The notice of attachment will contain instructions for the amount to be taken from a bank account held by the debtor or deducted from each wage or salary payment due to the debtor over a stated period of time and paid to the Department until the specified amount is paid.
- 17.48** Up to June 2017, 31 cases with an original value of €952,000 had an attachment order executed, and €369,000 had been recovered. In 88 cases, with a combined value of €507,000 either full repayment was made or recoveries had commenced after the threat of attachment proceedings was made or before the order could be executed. The amount repaid in these cases at the end of June 2017 was €453,000.

Collection of debt — best practice

- 17.49** The Department of Public Expenditure and Reform (DPER) issued a *Best Practice Guide for Collection of Debt by Public Bodies* in January 2017. The guide is based on a review that identified key success factors for debt management. Figure 17.13 shows the results of using these principles as a base to evaluate the current procedures in place in the Department.

Figure 17.13 Assessment of procedures against best practice key success factors

Key success factor	Adherence to best practice
Debt collection procedures	
Documented debt management policies and procedures	●
Special purpose debt management system	●
'Single customer view' of customers	●
Tailored collection (or 'chase') paths	●
Specialist debt management training and support	●
Appropriate 3 rd party collection usage	○
Customer Interaction	
Early client contact	●
Early and accurate billing	●
Strong enforcement, clearly communicated	●
Range of payment options; easy to pay	○
Performance management information	
Accurate data collection and maintenance	○

Source: *Collection of Debt by Public Service Bodies — Best Practice Guide*, Department of Public Expenditure and Reform (2017). Assessment by Office of the Comptroller and Auditor General.

- good: fully or substantially complies with the principle
- adequate: addresses most aspect of the principle with some limitations
- limited: only partially met the principle, or significant limitation existed, or did not apply.

¹ Attachment is a process by which a creditor may request specific property owned by a debtor to be transferred to the creditor. Property owned by a debtor includes money held in accounts by the debtor and also covers salary or earnings due by an employer to the debtor

Debt collection procedures

- 17.50** The Department's policies and procedures set out its approach to the recording and recovery of overpayments and are published on its website. The Department has stated that it is currently engaged in a process of updating its policies and procedures to ensure they align with DPER best practice guidelines. The revisions will take on board concerns raised by the Ombudsman's Office and the Office of the Comptroller and Auditor General with respect to the management of debt and recoveries.
- 17.51** The Department's systems provide a single view of each customer where all details relating to an individual's claims and interactions with the welfare system can be seen. A programme is in place to manage the larger debts (those greater than €50,000 each). The Department has profiled all debts to determine the appropriate strategy for recovery.
- 17.52** Training has been provided by the Central Debt Unit to scheme section and Intreo office staff on the operation of DRAS. However, additional training on specific debt management skills is yet to be provided.
- 17.53** The Department has not undertaken any formal consideration of the use of third-party debt recovery agents. The Department considers that use of third-party recovery services could only be undertaken when the expansion of the use of attachment orders has taken place and the recoverability of older/legacy debt has been determined.

Customer interaction

- 17.54** In March 2017, the Department commenced issuing annual statements in respect of overpayments raised in 2016, on the anniversary of when they were recorded on DRAS. The Department has stated that the issuing of statements is being progressively expanded on a scheduled basis to include all debt for prior years.
- 17.55** The range of payment options available to individuals to repay their debt are limited to deduction from existing welfare payment or by cash lump sum or on-going cash payment. Options to pay online or by card are currently not available.

Performance management information

- 17.56** The examination noted that the department publishes details relating to the value of overpayments raised, recovered and the age of outstanding debt in its annual report on the implementation of its *Compliance and Anti-Fraud Strategy 2014 – 2018*. (The 2016 annual report was published in June 2017). Data in respect of debt and recoveries is also published as part of the financial statements of the Vote and the SIF. Documentation in relation to some older recorded debt may be incomplete and could hinder efforts to recover the debt or to show that the debt actually exists.

Review of overpayments

- 17.57** Over 76,000 overpayments were recorded by the Department on DRAS during 2016. Overall, a sample of 253 overpayment cases were examined across nine locations and seven welfare schemes throughout the country. The results of the examination of those cases are shown in Figure 17.14.

Figure 17.14 Results of examination of sample of overpayments

Issue	Number of instances	% of cases reviewed	Number of locations
Calculation errors	13	5%	7
No recovery plan in place	27	11%	4
Communications did not issue	6	2%	4
Non-compliance with guidance on review level	25	10%	1
Cancellation without supervisor approval	9	4%	2
Debt written-off instead of being cancelled	5	2%	3

Source: Department of Employment Affairs and Social Protection

- 17.58** The review of overpayments found that the Department's own guidelines are not always being adhered to. Calculation errors had been made in 5% of the sample examined and had not been corrected. In 27 cases in four locations, plans had not been put in place for the recovery of the outstanding debt. Communication in relation to the overpayment did not issue to a total of six debtors. In one location, the prescribed level of review of overpayment cases was not performed, affecting 10% of the sample cases. Nine overpayments (4% of the sample) were cancelled without the approval of the supervisor, five debts were recorded as written-off instead of being cancelled.

Conclusions

Overpayment debts outstanding

- 17.59** The Department recorded detections of overpayments for recovery of between €100 million and €120 million per year between 2013 and 2016. The value of cases attributed to fraud, suspected fraud and departmental error decreased over that period but these decreases were offset at least in part, by increases in claimant error and estate cases.

Recommendation 17.1

The Department should review the underlying causes for the relative increase in overpayments arising due to claimant error and estate cases so that it can review and amend control processes, as required.

Accounting Officer response

Agreed. The Department notes, in particular, the welcome reduction in the value of overpayments attributable to fraud, suspected fraud and departmental error in the last four years and considers that a review of claimant error and estate cases would be beneficial.

With regard to claimant error, more intensive training and development has been provided to Deciding Officers under the OneDSP initiative and the guidance provided by the Department's Decisions Advisory Office, designed to underpin improvements in the decision-making process across all scheme areas. It is likely that the relative change noted arises from a combination of improved decision-making, the introduction of DRAS, and in part from changing claimant behaviour. Claimant awareness of the need to report a change in a person's circumstances should be heightened, by recent increased publicity around the Department's anti-fraud measures.

The majority of overpayments arising from estate cases arise in State Pension schemes. It should be noted that the Department will be commencing a fraud and error survey of the State Pension Non-Contributory (SPNC) Scheme in late September 2017. Any control weaknesses identified in that scheme will be rectified as quickly as possible with a view to strengthening its overall control policy and reducing the incidence of estate cases into the future. The Department also intends to expand its risk analytics work in 2018 and will be considering SPNC as one of the next batch of schemes to be modelled. Following a recent fraud and error survey of the State Pension Contributory Scheme, the Department will also be updating its control policy for that scheme, based on risk assessment and risk categorisation of all recipients.

The data-matching work that the Department undertakes with the Revenue Commissioners is also relevant in this context particularly in terms of undisclosed monies held in financial institutions.

More generally, it should be noted that the Department has begun a project to enhance the categorisation of overpayments and associated management actions – such as reasons for write-offs, suspension of recovery actions and cancellations. Additionally, the Department is introducing improved guidance, validation and oversight processes, as part of revised debt management procedures, which will provide greater assurance around the validity of the actions undertaken to record and manage overpayments.

Recovery of overpayments

17.60 Analysis of the rate of debt recovery suggests that almost one-third of debt recorded is recovered quickly. Thereafter, recovery is slower, and three to four years after detection, between 50% and 60% is recovered. There is some writing off of debts deemed irrecoverable. The long term impact on recovery rates of changes implemented as part of the DRAS system has not yet been established.

17.61 At end 2016

- 46% of the value of debts outstanding was more than five years old. Almost a quarter of the value of debt outstanding was more than ten years old.
- Almost one in five debtors owed €100 or less. Less than 1% of debtors owed €1 million or 19% of the value of debt outstanding. The Department has targeted debt recovery arrangements in place to deal with the largest debtors.

17.62 Active recovery plans are in place for over half of the debtors currently in receipt of a welfare payment. Of the debtors that are no longer in receipt of a welfare payment, less than 8% are actively repaying the amounts owed.

Recommendation 17.2

The Department should review the outstanding debts with regard to

- their size and whether they are economical to pursue
- recoverability of debt, and especially older debt.

The Department should also review the focus of their debt recovery process.

Accounting Officer response

Agreed. In recent months, a comprehensive analysis of the stock of debt has been undertaken, taking account of the various issues highlighted in the recommendation. This work has identified overpayments raised before 2011 as being particularly problematic to pursue and/or recover for a number of reasons. These include the quality of supporting documentation which has been found to be poor/inadequate, the lack of claimant knowledge of the existence of the debt and the reasons as to why it was raised and the length of time since the debt was raised.

Due to the statutory framework that was in place until 2013, the recovery measures which could be pursued for such overpayments were also very limited. Up to then, the normal weekly deduction towards the recovery of a debt was of the order of €2 per week which significantly limited the Department's ability to recover overpayments in any kind of meaningful way.

Legal enforcement

- 17.63** In addition to effective recovery of debts, a key deterrent for fraudulent behaviour is robust enforcement. The Department seeks to prosecute the more serious cases.
- 17.64** Of the cases attributed to fraud in 2016, 1,305 had overpayment values in excess of €5,000 each. A total of 222 were considered by the Department for criminal proceedings in 2016.
- 17.65** The majority of attachment order cases finalised to June 2017, have resulted in full payment or the commencement of a repayment plan by the debtor prior to the attachment order being executed.

Recommendation 17.3

The Department should consider expanding its use of attachment orders for debtors no longer in receipt of a welfare payment and currently not making a repayment.

Accounting Officer response

Agreed. The Department has initiated the process of making attachment orders in 119 cases with debts of €1.46 million. Up to end of June 2017, 31 cases with a debt valued at €952,000 had an attachment order executed: €369,000 had been recovered on these cases. In the remaining 88 cases, the debt was settled or recoveries arrangements were agreed. The debt value was €507,000; the amount repaid at the end of June 2017 was €453,000. Attachment orders are increasingly being used to pursue debtors who are no longer receiving a payment from the Department. The statutory process to execute such orders is resource intensive and can take up to 60 days to complete.

Management of overpayments

- 17.66** Overpayments can be written-off in a range of circumstances e.g. where it is deemed there is no realistic prospect of repayment, as a result of agreed settlement discounts, debtor deceased, or extenuating circumstances. In addition, 162 debts with a value of €149,000 were recorded as being written-off because the department failed to act within a reasonable time on information received which would have avoided an overpayment being raised or reduced the value of the overpayment raised.

Recommendation 17.4

The Department should review the reasons recorded for write-off of debt and establish whether practices and procedures need to be revised to improve recovery and thus minimise the level of write-offs in future.

Accounting Officer response

Agreed. It is not possible to recover all sums overpaid and accordingly, for accounting and administrative purposes, amounts considered to be irrecoverable will require to be periodically written-off as uncollectable. However, the Department can write-back and pursue recovery of an overpayment where a debtor's circumstances change.

The Department is currently engaged in an upgrade of DRAS to improve the overall classification of debts, including cancellations and write-offs. In addition, the existing debt management guidance and training for staff will be updated to support the planned changes. The current annual value of write-offs is considered to be relatively low.

Collection of debt — best practice

17.67 The Department is in compliance with DPER's best practice key success factors for management and recovery of debt in four areas but further progress is required in other areas.

Recommendation 17.5

The Department should ensure that its management of overpayment debt is fully in accordance with best practice.

Accounting Officer response

Agreed. The Department has examined its current practices against the best practice guidelines published by DPER in January 2017.

- The Department is currently engaged in a process of updating its policies and procedures to ensure they align with DPER best practice guidelines and to reflect improvements planned in DRAS functionality. These revisions will take on board concerns raised by the Ombudsman's Office and the Office of the Comptroller and Auditor General with respect to the management of debt and recoveries.
- A targeted approach to outstanding debt is already in place prioritising larger value overpayments and debts raised since the introduction of DRAS.
- All staff in the debt management area have significant skills. Specialist training will be provided to develop and maintain these skill levels.
- A programme to issue annual statements to all debt holders is being rolled out and, by end 2017, we will have commenced issuing annual debt statements for all debts raised in 2014, 2015 and 2016. The programme will be extended in 2018 to cover debts outstanding from earlier years.
- Extending the range of payment options available to debtors is currently under consideration, in the context of procuring future banking services for the Department.
- A comprehensive review of older debts is currently underway with a view of setting out options for improved future management of overpayments.

Audit of overpayments

- 17.68** The audit of the management of a sample of overpayment cases by scheme units and Intreo offices found areas of non-compliance with departmental guidelines.

Recommendation 17.6

The Department should review the application of internal guidelines to ensure they are being fully adhered to.

Accounting Officer response

Agreed. Planned improvements in DRAS functionality, revisions to departmental guidelines and the provision of associated training to staff are expected to have a positive impact on the quality of how overpayments are recorded, managed, and pursued. Improved systems and processes will address

- reliance on the manual calculation of overpayments
- the absence of recovery plans for recently created debts
- failure to adequately communicate with claimants (although this will remain a significant issue with pre-2015 overpayment cases)
- improved validation, verification and oversight processes for recording overpayments, cancellations and write-off of cases and categorisation of actions recorded on DRAS.

