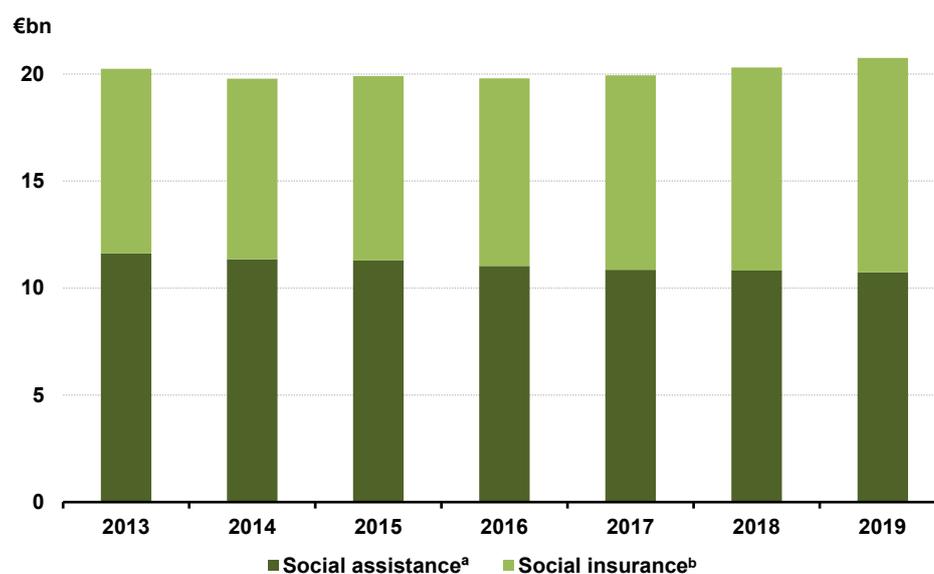


4 Control over welfare payments

- 4.1 The Department of Employment Affairs and Social Protection (the Department) incurred expenditure of approximately €20 billion each year in the period 2013 to 2019. Welfare payments are funded by the Exchequer in the case of assistance payments and by the Social Insurance Fund for benefit payments (see Figure 4.1).

Figure 4.1 Welfare payments 2013 to 2019



Source: Appropriation accounts of the Department of Employment Affairs and Social Protection and financial statements of the Social Insurance Fund

- Notes:
- a Subventions to the Social Insurance Fund and administration expenses paid by the Department and recouped from the Social Insurance Fund have been excluded.
 - b Payments to the National Training Fund have been excluded as these are amounts collected on behalf of the Department of Education and Skills.

- 4.2 Expenditure of €20.8 billion in 2019 represented 24% of general government expenditure and was equivalent to 6% of GDP (10% of GNI*).
- 4.3 While total expenditure has remained relatively stable, social assistance payments decreased as a percentage of total expenditure, falling from 57.4% in 2013 to 51.7% in 2019. This represents a relative reduction in assistance type payments, in particular working age income supports, reflecting improvements in macro-economic indicators, and a relative increase in age related social insurance benefits such as the State contributory pension which has increased from just under €4 billion in 2013 to over €5.6 billion in 2019.
- 4.4 The Department operates around 80 schemes and programmes, some of which are delivered directly and some in partnership with third party organisations, other government departments and State agencies. In 2019, over 1.3 million people were in receipt of a weekly social welfare payment and over 630,000 people received monthly child benefit payments.

- 4.5** The Department is required to ensure that the expenditure it incurs has been applied for the purposes for which the money was made available by Dáil Éireann, and that its financial transactions conform with the authorities under which they purport to have been carried out. Financial transactions are considered to be 'regular' when both of these conditions are satisfied.
- 4.6** Any payments in excess of entitlements under the terms of welfare schemes are, accordingly, irregular. Such excess payments can arise in a number of ways, including
- **Suspected fraud** — where it is suspected that a claimant for welfare payments intentionally provides incomplete or inaccurate information in relation to a claim, or deliberately fails to inform the Department of relevant changes in circumstances (such as an increase in means or a change in medical condition) affecting a claim in payment.
 - **Claimant error** — which arises when the claimant has provided inaccurate or incomplete information, or failed to report a relevant change in circumstances, but there is no fraudulent intent on the claimant's part.
 - **Official error** — where benefits are paid incorrectly due to inaction, delay or mistakes made by the Department's staff.^{1,2}
- 4.7** The level of expenditure incurred means that even a small incidence of error and suspected fraud can result in a large monetary loss to the Exchequer or to the Social Insurance Fund.
- 4.8** In seeking to minimise loss through error and suspected fraud, a balance must be struck between, on the one hand, making the claim process as straightforward as possible for the applicant and giving timely assistance to claimants, and on the other hand, the level of information collection and the intensity of claim checking. The review of existing cases to detect and deter error and suspected fraud is an important issue for the Department.

¹ In some cases, claimant and official error can also result in claimants receiving less than they are entitled to (an underpayment).

² Where the last review of a claim was conducted more than five years previously (or three years previously for working age schemes), excess payment is categorised as an official error.

Objectives of examination

- 4.9** This examination
- presents an overview of the Department's activities which are targeted at detecting and deterring fraud and error
 - evaluates the Department's effectiveness in this regard by reference to the results emerging from its monitoring and control activities.

Compliance and anti-fraud strategy

4.10 In September 2019, the Department published a strategy covering the period 2019 to 2023. The objectives of the strategy are to

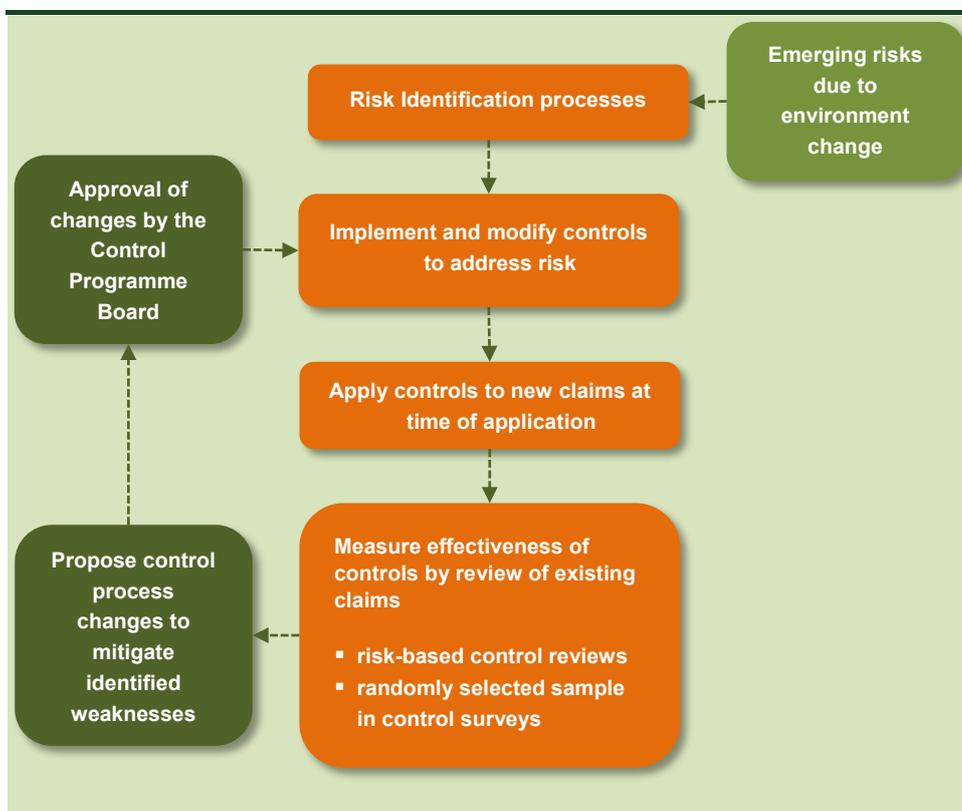
- prevent fraud and error entering the social welfare system
- discourage non-compliance with the social welfare system
- detect instances of suspected fraud and error as quickly as possible
- have in place appropriate governance and oversight arrangements over control activity.

The key elements of the strategy are set out in Annex 4A.

4.11 The Department utilises a range of methods to evaluate its effectiveness in preventing, detecting and deterring error and suspected fraud. These include control surveys of a random sample of claimants to assess the level of error and suspected fraud on a scheme, and monitoring the outcome of control reviews that use a risk-based approach to review claims.

4.12 A key feature of effective risk management is the identification and implementation of enhanced controls on foot of analysis of information in relation to how the system is currently operating. Figure 4.2 summarises the Department's approach to risk management.

Figure 4.2 Key elements of the Department's control process



Source: Analysis by the Office of the Comptroller and Auditor General

Control surveys

- 4.13** The Department has a programme to undertake control surveys of social welfare schemes. The surveys involve reviews of random samples of claims in payment to establish if the recipients are entitled to the payments they are currently receiving and if so, whether the correct amounts are being paid. The surveys assist the Department in identifying scheme-specific risks and required changes to the scheme control measures in place.

Control survey methodology

Control surveys generally review between 500 and 1,000 randomly-selected claims for each scheme and aim to provide an estimate — to a 95% confidence level — of the level of incorrect payment. The surveys capture

- the gross excess payment which is the total value of overpayment identified
- the net excess payment — which adjusts for transfers to other schemes where a claimant (and/or a dependent person) was found to be paid in excess of their entitlements on the scheme reviewed, but was entitled to a different benefit welfare payment.

The Department views the net excess payment identified as being the most accurate measure of the level of excess payment on schemes.

- 4.14** Since 2014, the Department planned to undertake two or three control surveys annually. The time it takes to complete and publish the findings of the controls surveys can vary from one year to up to three years. In addition, the commencement or publication of some of the planned surveys have been delayed. Annex 4B provides information on the Department's approach to control surveys as well as activity in that regard in 2020.
- 4.15** Under the Department's compliance and anti-fraud strategy for the period 2019 to 2023, the Department has initiated a continuous sampling process for certain larger schemes — jobseeker's allowance and disability allowance. The Department has stated that the continuous sampling approach may identify seasonal risk factors that may not be captured by point-in-time surveys.
- 4.16** Figure 4.3 shows the expenditure in 2019 on Vote and Social Insurance Fund schemes in respect of which control surveys have been undertaken (at least once) since 2012 and the level of irregular payment identified.¹

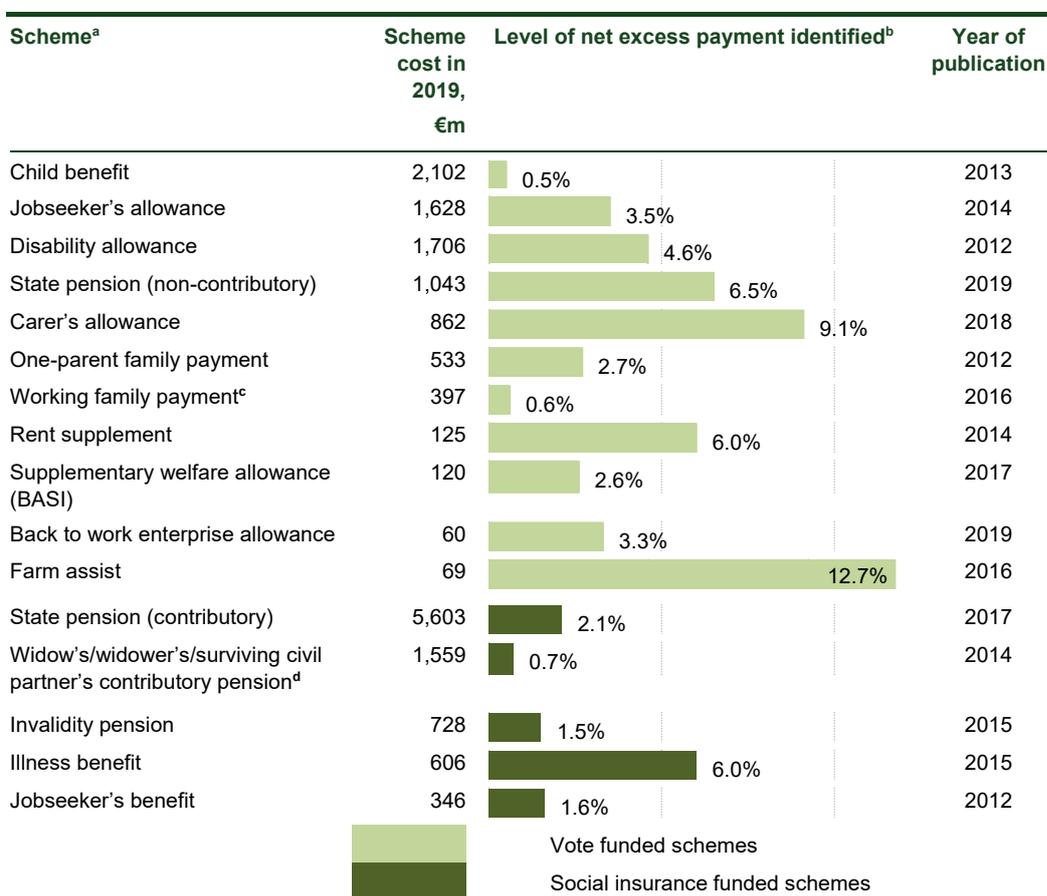
Implications of control surveys for audits

- 4.17** There is wide variation in the level of excess payments found by surveys of Vote funded schemes carried out between 2012 and 2019 (see Figure 4.3). Apart from child benefit, which is a universal payment (i.e. not means-tested), estimated rates of net excess payments range from 0.6% of scheme expenditure (working family payment) to 12.7% of scheme expenditure (farm assist).
- 4.18** There is also variation in the level of excess payment in the social insurance funded schemes surveyed. Estimated rates of net excess payments for social insurance funded schemes range from 0.7% (Widow's/widower's/surviving civil partner's contributory pension) to 6% (illness benefit).

¹ In aggregate, the schemes included in Figure 4.3 accounted in 2019 for 80% (€8.6 billion) of voted expenditure, and 88% (€8.8 billion) of Social Insurance Fund expenditure.

4.19 The level of irregular payments found by the Department's control surveys is material. Accordingly, I have referred in my audit reports on the 2019 appropriation account for Vote 37 Employment Affairs and Social Protection and the 2019 financial statements of the Social Insurance Fund to the material level of irregularity of scheme payments.

Figure 4.3 Estimated level of irregular payments in surveyed schemes



Source: Department of Employment Affairs and Social Protection. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a The household benefits survey in 2016 is not included because the survey only related to beneficiaries not in receipt of another welfare payment and represented only 7% of those in receipt of the benefits package. Since 2016, schemes representing a further 62% of household benefit recipients have been examined as part of control surveys for State pension (contributory), State pension (non-contributory) and carer's allowance — the Department estimates the error rate in respect of entitlement to the benefits package for the schemes surveyed to be 1.3% by value.
 - b Net excess payment is the value of excess payments identified less transfers to other schemes.
 - c Previously known as the family income supplement.
 - d This figure was incorrectly stated as 7.4% in the Report on the Accounts of the Public Services 2018, instead of the correct figure of 0.7% as shown above.

Back to work enterprise allowance control survey (2019)

- 4.20** In 2019, the Department published the results of a control survey of the back to work enterprise allowance scheme involving expenditure of €60 million in 2019.

Back to work enterprise allowance scheme control survey report (August 2019)

Under the back to work enterprise allowance scheme, individuals in receipt of a qualifying payment who start a new enterprise as a self-employed person retain full benefit payments for the first year and 75% for the following year. Different control regimes applied to different groups of claimants. For claims commencing from July 2017, the Department's policy was to carry out a case review after three months and again after nine months. The reviews at three and nine months were not applied to cases already in payment at July 2017.

The survey examined 401 claims: 207 claims were pre-July 2017 claims and 194 were post-July 2017 cases.

Overall, the survey found 12 claims (3%) with excess payments, representing 3.3% of scheme expenditure for the sample. This included 1.6% of expenditure where the review found the claimants were not involved in viable self-employment, 1.3% where the claimants failed to provide the required information (suspected fraud) and 0.5% where the claimants did not meet the scheme eligibility criteria.

The survey found that the level of non-compliance reduced significantly after the change in claim review policy — eleven pre-July 2017 claims were in overpayment; only one claim put in payment after July 2017 was in overpayment.

This examination reviewed a sample of 25 claims inspected by the control survey and found five cases where the three and nine-months reviews should have been conducted but were not.

The response of the Department to the survey findings was to re-issue direction to case officers and divisional managers to conduct three-month and nine-month reviews of each case.

Control reviews of claims

4.21 The Department's control review process examines claims to ensure that the claimant was/is entitled to a payment and that the level of payment was/is correct. The selection of claims to be reviewed is based on a risk that the payment is not correct. The Department characterises control reviews as being initiated by the Department and requiring engagement with the customer (or their representatives where applicable) that is over and above regular or systemic contact, and being a review of¹

- a claim that is or was in payment
- the claimant's ongoing or past eligibility with scheme conditions and terms
- compliance with scheme conditions for the payment, including payment components for qualifying adult or child dependents and other allowances (for example living alone allowance) where relevant
- adherence to scheme conditions, such as availability for work and medical eligibility.

1 Where a review of entitlement is initiated by a claimant, it is not considered a control review by the Department.

2 For example, the Control Division proposed a target of 8,000 non-medical reviews and 3,000 medical reviews for the disability allowance scheme. The Business Analytics Unit (BAU) identified 2,500 of the 11,000 claims to be reviewed.

3 The Department sets a target for savings. Savings are calculated on the assumption that detected overpayments would have continued if not detected for a period of between 4 and 136 weeks (the period used is dependent on the scheme and whether the payment was reduced or terminated). Savings recorded by the Department in 2017, 2018 and 2019 were €530 million, €556 million and €505 million respectively.

4 In 2019, the Management Board amended the proposed target for five schemes.

5 The BAU identify claims for review by a range of means including predictive modelling (e.g. for the one parent family payment scheme and disability allowance), risk-factor modelling (e.g. widows pension), business rules (e.g. jobseeker's schemes), dataset to generate reviews (non-contributory State pension) and combinations of the above approaches. Risks such as a history of overpayments are systematically assigned to claimants when modelling a scheme whereas a Deciding Officer exercises judgement on such issues when selecting claims for review.

Process to determine the review rate

4.22 There is no statistical methodology underlying the target number of reviews to be conducted by each scheme. The Department's Control Division proposes the annual target for the number of reviews to be carried out by each scheme, following consultation with the management of that scheme area.^{2,3} The Control Programme Board reviews and approves the proposed targets which are then presented to the Management Board for approval.⁴

4.23 In accordance with good practice, a range of factors should influence the setting of the annual target for control reviews for each scheme including

- the level of expenditure and number of claimants on the scheme
- estimated levels of incorrect payment, as determined by recent control surveys/reviews
- identification of existing and emerging risks of incorrect payment from knowledge gained by staff and the work of the Business Analytics Unit (BAU)
- the type of review that is required — e.g. mailshot, desk review, home visit or medical assessment etc.

Criteria for selection of individual cases for review

4.24 Individual cases for review are selected by the scheme area and may be selected as a result of risks identified by the scheme area itself or cases identified as high-risk by the BAU, through data matching arrangements, or as a result of (anonymous) reports to the Department.⁵ Risk factors used by scheme areas include

- risks identified from outcomes of any previous control surveys and from current control review activity or risks identified on similar schemes, and risks associated with the type of scheme (e.g. working age schemes tend to be more open to fraud)
- length of time since last review, as risk increases with time between reviews
- identifying various sectors of the economy where there is a higher risk of fraud and abuse (e.g. casual workers).

4.25 The Department records the event instigating a control review — for example, reviews proposed by the BAU, or selection under control survey or intelligence-led reviews. The Department stated that analysis of these events facilitates the identification of patterns in review outcomes and the number and type of reviews being conducted by schemes.

4.26 The scheme areas decide on the type of control review to be conducted which comprise

- desk reviews where the customer is not seen face-to-face (including mailshot reviews) and consist of an examination of entitlement to a payment based on available documentation¹
- desk reviews where the customer is seen including face-to-face interviews with customer for claims managed at Intreo centres²
- inspections undertaken by social welfare inspectors which may include home visits and/or on-site interviews with claimants and employers
- investigations by the Special Investigations Unit³
- medical examinations or assessments (including desk-based assessment).

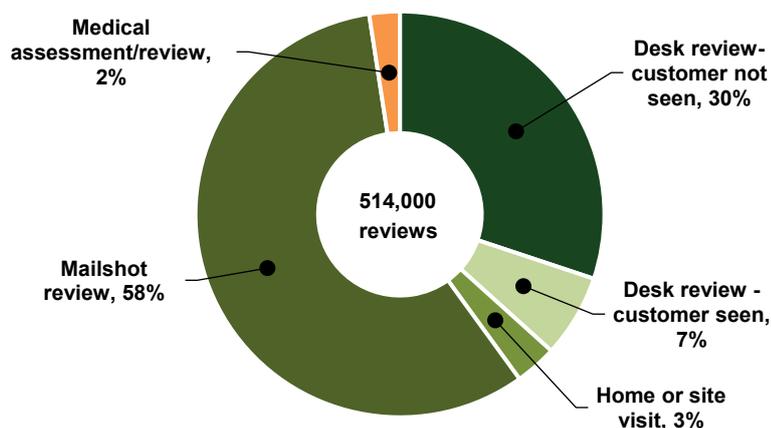
4.27 The categorisation of reviews conducted in the period April to December 2019 are shown in Figure 4.4 (earlier data is not directly comparable due to a change in the way data was recorded). The types of assessment, or ratios between the types of assessments are not set by the Control Division — this is decided by the areas operating the individual schemes, based on their operational experience. Most child benefit reviews are conducted by mailshot while most jobseeker reviews are desk-based, where the customer is not seen — other schemes comprise a mixture of review types.

1 Available documentation may include information received in respect of the claim or from a customer enquiry, questionnaire (mailshot response), continuing eligibility enquiry or customer self-assessment returned.

2 An Intreo centre is a single location for all employment and income supports.

3 The Special Investigations Unit (SIU) conducts a range of control activities and projects, working with Revenue staff, the Workplace Relations Commission and other compliance and enforcement agencies. The SIU focus is on direct intervention, high visibility activity and direct engagement (including face-to-face interviews).

Figure 4.4 Types of reviews conducted, April to December 2019



Source: Department of Employment Affairs and Social Protection

Outcome of reviews conducted

4.28 For the purposes of this examination, for each scheme, the number of control reviews conducted was compared with the number and value of overpayments raised in 2019, to calculate the average overpayment amount detected per review. In relation to this analysis the following should be noted.

- Virtually all overpayments raised in most years are detected from control reviews apart from overpayments totalling €12.2m which were raised in 2019 as result of difficulties arising on transition to a new illness benefit system (see paragraph 4.50 and 4.51). These overpayments were excluded when calculating average overpayments for control reviews for that scheme.
- In addition to overpayments identified on foot of control reviews, overpayments may also arise where a claimant or their representative notifies the Department that they were paid in excess of their entitlement.¹ In these cases, the value of individual overpayments is normally low and would not have a significant impact on the analysis.
- There can be a time lag between a control review being conducted and an overpayment being raised. However, since the level of overpayments raised each year by scheme are broadly consistent (see paragraph 4.47), this delay would not have a significant impact on the analysis.
- In calculating the total number of control reviews conducted, the Department includes reviews conducted as part of the control survey process. In some cases overpayments may be raised as a result of these reviews. However, the number of reviews conducted and overpayments raised as part of the control survey process is not material by reference to the total number of reviews conducted.

4.29 A risk-based review of claims, if effective, should result in a higher incidence of overpayments being identified than in a randomly selected sample of claims — one of the purposes of control surveys is to identify risk factors for the purpose of focussing control reviews on cases most likely to evidence error or suspected fraud. Figure 4.5 shows that the incidence of overpayments detected through risk-based control reviews was significantly higher than through control surveys for four high value expenditure schemes. Risk based reviews of contributory State pension detected over five times the rate of overpayment when compared to random reviews of that scheme.

Figure 4.5 Incidence of overpayment detection

Scheme (year control survey published)	Percentage of survey cases with overpayments	Percentage of review cases with overpayments in 2019
State pension, non-contributory (2019)	20%	31%
Carers allowance (2016)	13%	21%
State pension, contributory (2016)	5%	26%
Invalidity pension (2015)	3%	68%

Source: Department of Employment Affairs and Social Protection. Analysis by the Office of the Comptroller and Auditor General.

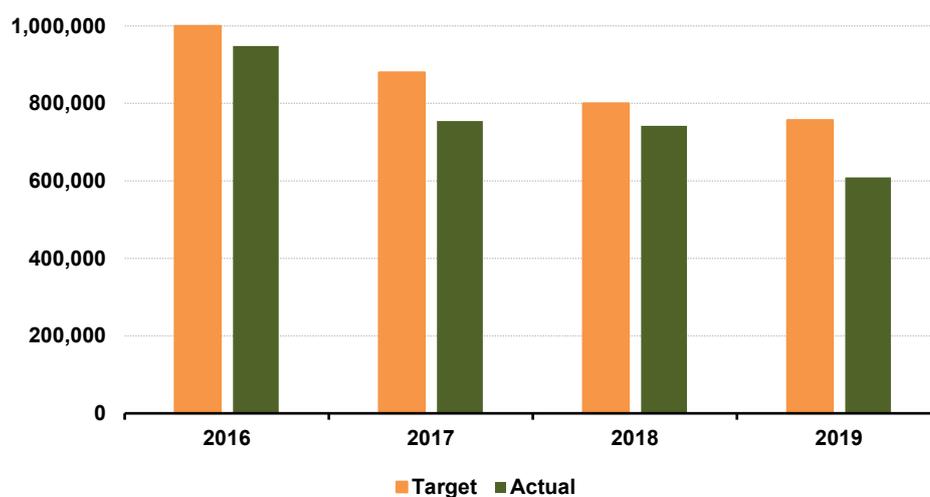
¹ This can occur in instances where claimants received payments in excess of entitlement where the Department had not been notified of a change in the claimant's circumstances or where the claimant continued to be paid after death.

- 4.30** There is a very high rate of overpayments detected by reviews of invalidity pensions, some of which are due to delays in the notification of death from representatives of claimants. The General Register Office (GRO) provides information on deaths to the Department which can be matched to claims in payment. Of the 1,165 invalidity pension reviews conducted in 2019 by the Department, 441 'paid after death' overpayment cases arose with an average overpayment detected of €836.
- 4.31** The BAU uses a variety of approaches including, *inter alia*, predictive modelling, risk-factor modelling, analysis of business rules and data analytics to identify cases for review. In 2019, cases selected for review by BAU accounted for 4% of the total reviews conducted.¹
- 4.32** The Department stated that these cases are prioritised for review by the schemes areas and show a slightly higher rate of overpayment detection than reviews initiated by the schemes areas. For example, in 2019, disability allowance reviews proposed by BAU detected overpayments in 22% of cases compared with 18% of cases initiated by schemes. For jobseeker's allowance, reviews proposed by BAU detected overpayments in 31% of cases compared with 28% of cases initiated by schemes.
- 4.33** The target number of reviews to be conducted in 2019 was 757,000 which was 43,000 less than in 2018. Compared to 2018, changes in the target number of control reviews ranged from an increase of 15,000 for child benefit to a decrease of 28,500 for jobseekers.
- 4.34** Figure 4.6 shows the target and actual number of reviews conducted in recent years. In 2019, the Department conducted 80% of the target number of reviews (609,000 reviews carried out, against a targeted 757,000 reviews). About one third of the targeted reviews were not conducted in relation to illness/disability and supplementary welfare allowance schemes. The Department stated that the main shortfall in reviews related to child benefit (due to a judicial review in 2019) and jobseeker's schemes (due to lower unemployment).²

¹ The BAU selected 31,000 cases in 2019 — 23,000 cases (4% of the total) were examined during 2019 with the remaining 8,000 cases to be reviewed during 2020.

² In 2019 the Data Protection Commission issued negative findings regarding the methodology of child benefit reviews. The Department took the decision to suspend the reviews for a number of months while the Department sought a judicial review. The Data Protection Commission subsequently decided not to defend the judicial review proceedings and agreed to an order of *certiorari* quashing its findings. The programme of issuing continuing eligibility certificates re-commenced in January 2020.

Figure 4.6 Control reviews target and conducted, 2016 to 2019

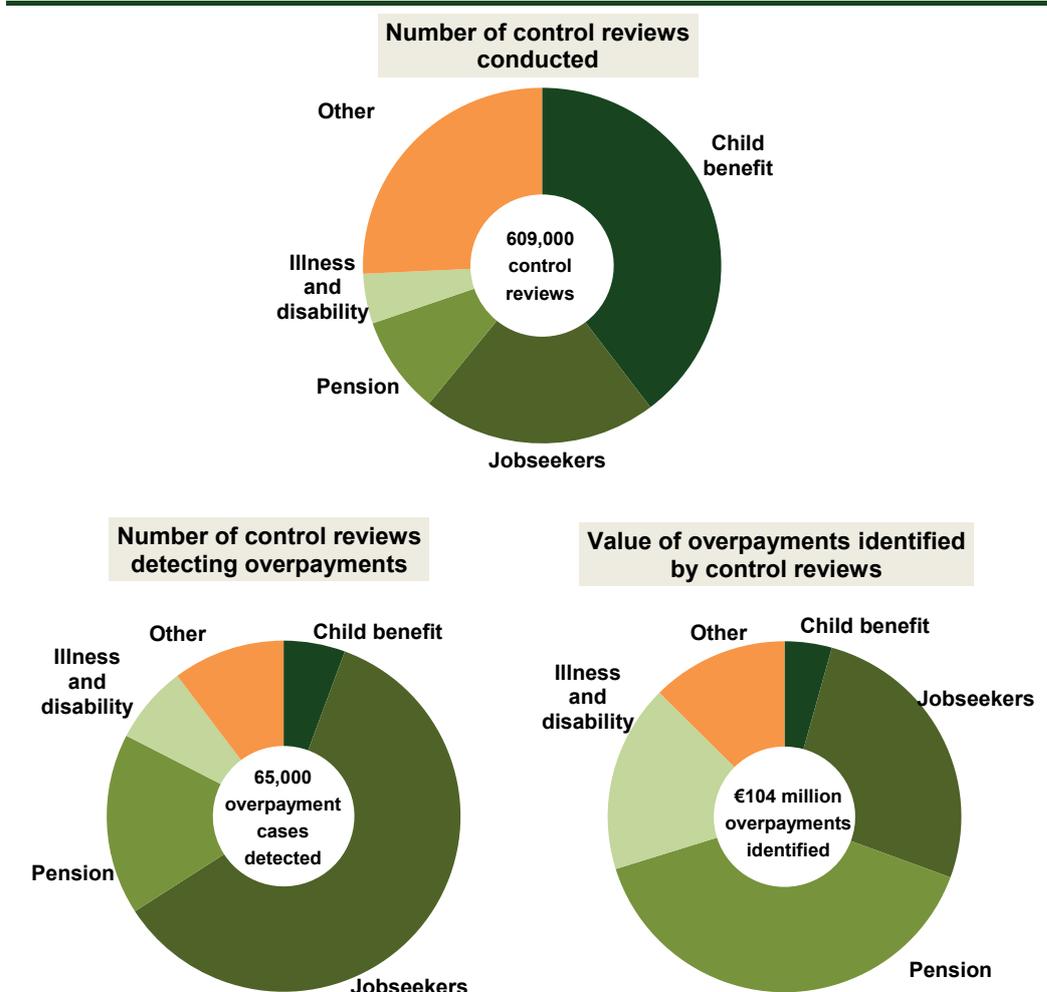


Source: Department of Employment Affairs and Social Protection

4.35 Figure 4.7 shows control reviews statistics for reviews finalised in 2019, by scheme area. It is evident that while a significant proportion of control reviews are being conducted on child benefit payments, the outcome of these reviews does not result in the detection of a significant proportion (or value) of overpayments.¹

4.36 The Department stated that the high number of claim reviews for child benefit as compared to other schemes reflects both the fact that child benefit is one of the largest schemes in terms of claims in payment and the methodology that the Department has in place for conducting the reviews via postal declarations and scanning solution whereby reviews can be conducted at low cost (as compared with other schemes that require medical reviews, inspector visits, etc.). The deterrent effect of conducting these reviews should also be noted as they serve as a reminder to customers of the need to inform the Department in relation to changes in their circumstances (e.g. moving abroad, child leaving a household, etc.). While the value of overpayments compared to other schemes is lower this is because the average annual payment value is lower. The savings are still large in monetary terms and are a multiple of the cost of conducting the claim reviews.

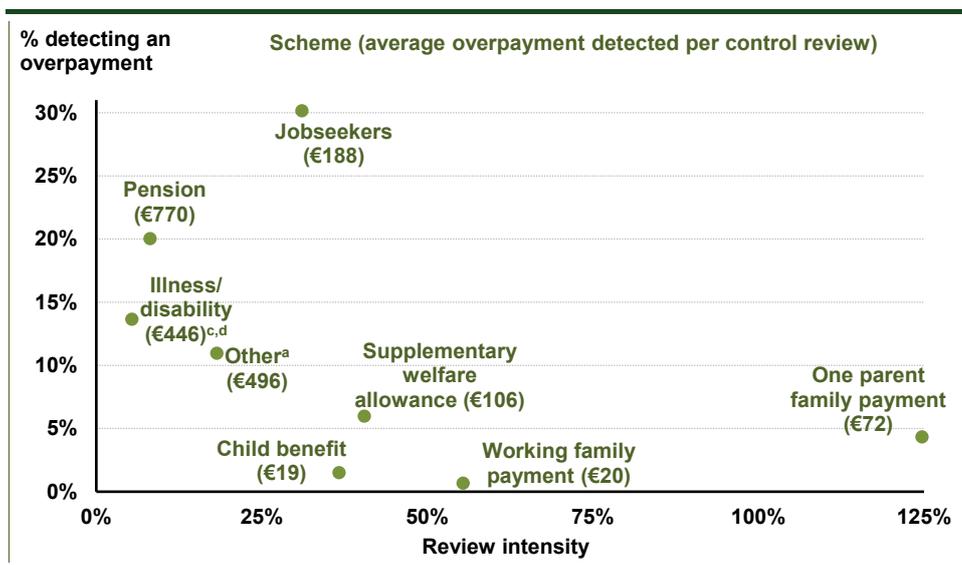
Figure 4.7 Overview of control reviews conducted in 2019^a



¹ In 2019, 37% of child benefit claimants were reviewed with just 1.5% of reviews conducted resulting in the identification of an overpayment and the average overpayment identified was €19. The child benefit control review process is largely automated (primarily a mailshot approach where the claimant completes a questionnaire), unlike the review process on other schemes. The Department stated that, for this reason, a reduction in the number of child benefit reviews would not release a significant amount of resources that could be used to conduct control reviews on other schemes.

Source: Department of Employment Affairs and Social Protection. Analysis by the Office of the Comptroller and Auditor General.

Note: a The information presented relates to the number of control reviews and the number and value of overpayments detected by those control reviews. It excludes 12,400 overpayment cases (value of €12.2 million) detected following issues arising on transition to a new illness benefit system, as detailed in paragraph 4.50 and 4.51.

Figure 4.8 Review intensity and proportion of control reviews resulting in an overpayment, 2019

Source: Department of Employment Affairs and Social Protection. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Other comprises around 5% of all reviews and 6% of active claims in 2019.
 - b Review intensity is based on the actual number of reviews conducted in 2019 and the number of active claims at any time during 2019.
 - c This analysis excludes 12,400 overpayment cases identified following issues arising on transition to a new illness benefit system as these were not the result of control reviews as detailed in paragraph 4.50 and 4.51.
 - d Illness/disability schemes includes invalidity pensions.

4.37 Using a risk based approach, the proportion of reviews that identify overpayments and the average value of overpayments detected would be expected to be in line with the proportion of claimants reviewed. The challenge is to select the correct review intensity that is cost effective.

4.38 As part of this examination, the review intensity (the proportion of claimants who received a payment during the year that are subject to review) was compared with the proportion of reviews conducted that resulted in the identification of an overpayment. The results are set out in Figure 4.8.

4.39 There is a high review intensity of claimants of the working family payment and the one parent family payment — but the average overpayment detected is low relative to some other schemes. By comparison, Figure 4.8 shows that some schemes with relatively low levels of review result in the identification of proportionally high level of overpayment. For example

- 8% of pension claimants were reviewed in 2019 and 20% of reviews detected an overpayment — the average overpayment detected per review was €770.
- 6% of individuals claiming illness/disability payments (excluding invalidity pensions) were reviewed and 11% of the reviews conducted in 2019 resulted in an overpayment being identified — the average overpayment detected per review was €415.¹
- 2% of invalidity pension claimants were reviewed in 2019 and 68% of the reviews resulted in an overpayment being identified — the average overpayment detected per review was €1,140.

¹ These figures exclude 12,400 overpayment cases detected following issues arising on transition to a new illness benefit system as these overpayments were not the result of control reviews (see paragraph 4.50 and 4.51 for further details).

- 4.40** This analysis shows that there may be scope to increase the review intensity for some schemes where the reviews conducted are identifying proportionally more overpayments than other schemes.
- 4.41** The Department stated that the level of control review of working family payment, the one parent family parent and supplementary welfare allowance schemes is warranted, despite the relatively lower level of overpayments detected, due to the frequent change of circumstances of claimants.

Integrating results of control reviews in the control process

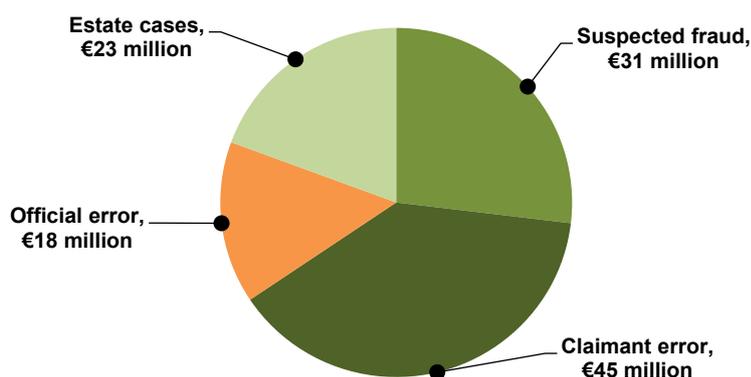
- 4.42** The Department's Control Programme Board oversees the control process for all schemes. The Control Programme Board reports to the Department's Management Board through its chair (an Assistant Secretary). The Board includes representatives (each at principal officer level) of the Control Division, the BAU/Special Investigations Unit, geographical division representatives and representatives from certain schemes. The Control Programme Board meet around six times per year.
- 4.43** The Control Programme Board is responsible for approving changes to control processes. There is no structured submission to the Control Programme Board identifying the characteristics of reviews that detected overpayments. However, the Control Programme Board provides a forum for members to highlight concerns or results from the work of projects to address specific risks (for example, a local area activation group). The Department stated that specific risks identified by such projects are also brought to the attention of the Control Division, who liaise with the Special Investigations Unit on a more immediate basis.
- 4.44** Examples of control process changes approved by the Control Programme Board in 2019 include the move to rolling control surveys for certain schemes, expansion of analytic reviews to carers schemes and new practices for employment-related investigations.
- 4.45** As part of this examination, a sample of one hundred control reviews conducted in 2019 for four schemes — disability allowance, rent supplement, State pension (contributory), and jobseeker's allowance were examined. The examination found that while there was evidence that the reported control reviews had been conducted, the absence of a clear record of the work undertaken as part of the control review — i.e. the documentation reviewed and the matters considered when finalising the review outcome, including whether or not to raise an overpayment — made it difficult to assess the assurance gained from the control review in ten cases (10% of the sample examined). The examination had to seek clarification from the Department on issues such as the reasons why overpayments were not raised in certain cases, the variation in the level of documentary evidence supporting the control review, and the reasons for frequent control reviews of some individual claimants. The Department stated that it is not uncommon that some individual claims are reviewed more frequently than others for various reasons including, changes in personal/family circumstances, fluctuation of earnings, selection by BAU or control surveys or identified risks by scheme areas.
- 4.46** The issue of deficient control review documentation was also identified by the Ombudsman. In 2019, the Ombudsman examined 33 cases of the recovery of overpayments by the Department and had concerns in relation to 15 cases, including concerns that there was insufficient documentary evidence available to support some of the Department's decisions.¹

¹ *Fair Recovery*, Office of the Ombudsman, 2019.

Overpayments

- 4.47** Where the Department identifies that an incorrect payment is being made, an overpayment may be raised. Overpayments are virtually all identified through control reviews.¹ In recent years (2015 to 2019), the level of overpayments raised has been broadly consistent, in the range €108 million to €117 million (in 2019, it was €117 million). While Social Insurance Fund (SIF) and Vote expenditure is broadly equal, the level of overpayments detected in social insurance funded schemes is generally only one-fifth of the level detected in Vote-funded schemes. Means-tested schemes, because the income of claimants changes over time, tend to have higher rates of error/fraud than insurance-based schemes in respect of which eligibility is determined at a single point in time based on social insurance contributions made up to that time.
- 4.48** In addition to the reasons for incorrect payment identified earlier (suspected fraud, claimant error and official error), the Department identifies a further category of overpayments referred to as estate cases. This is where a deceased individual is found to have had greater assets than had been declared to the Department during the most recent means assessment. Figure 4.9 shows the categorisation of overpayments for 2019.

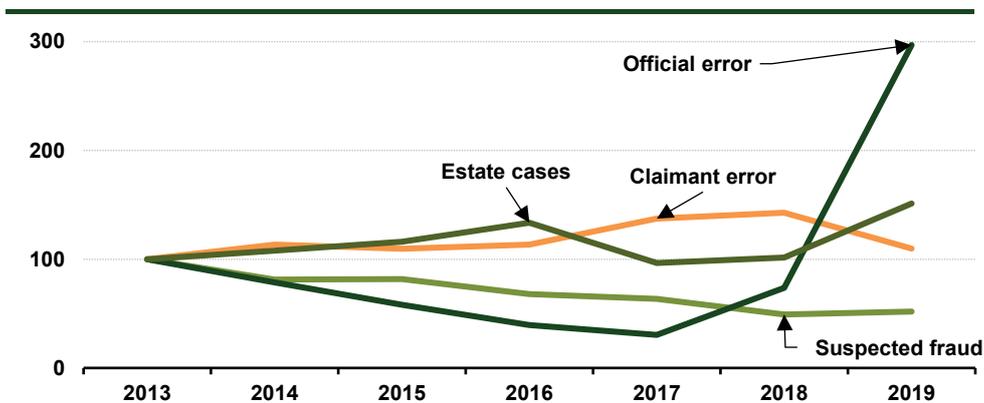
Figure 4.9 Categorisation of overpayments identified by the Department, 2019



¹ An exception occurred in 2019 where 12,400 overpayment cases with a total overpayment value of €12.2 million arose following issues arising on transition to a new illness benefit system (see paragraph 4.50 and 4.51). The value of these overpayments is included in the analysis below and is classified as official error.

Source: 2019 appropriation account of the Department of Employment Affairs and Social Protection and 2019 financial statements of Social Insurance Fund.

Figure 4.10 Index of value of overpayments raised by the Department, 2013 to 2019 (2013 = 100)



Source: Appropriation accounts of the Department of Employment Affairs and Social Protection, and Social Insurance Fund financial statements. Analysis by the Office of the Comptroller and Auditor General.

4.49 In general, the detected value of overpayments attributed to suspected fraud has trended down since 2013. Overpayments detected that resulted from official error spiked significantly in 2019, mainly due to issues related to the implementation of a new illness benefit IT system.

4.50 Overpayments in 2019 of €12.2 million in illness benefit claims arose on the transition to a new illness benefit claim processing system. In August 2018, the Department transferred the operation of the illness benefit (IB) scheme from a legacy IT system to its core IT system. Problems arising from this transfer led to difficulties in processing illness benefit claims which had a negative impact on claimants. At the time, there were also issues with GPs in the ongoing delivery of the scheme resulting in the receipt of various types of certificates, many of which were not capable of being 'scanned' or input into the new system in a way that would facilitate its smooth operation. A decision was made to implement an auto-certification process to ensure claims could be processed in a timely manner and allow time to resolve issues with the GPs.¹

4.51 The Department stated that while it recognised that some overpayments would occur, it was a necessary and proportionate change to ensure that vulnerable or sick claimants were not deprived of financial supports. At the time, there was no estimate of the level of overpayments that might occur. As a result of the decision, illness benefit payments in excess of entitlement were made in the period August 2018 to mid-2019 — the majority of the overpayment debt was raised for recovery in the first half of 2019.

¹ Under the auto-certification process, the Department processed claims, including cases where an updated medical certificate had not been received to ensure that claimants were not deprived of financial supports.

4.52 In addition to the illness benefit auto-certification overpayments of €12.2 million, there were illness benefit overpayments to a value of €2.5 million in respect of 11,000 claimants, as a result of payments being issued twice to claimants due to duplication in the scheduling of one weekly EFT payment run in December 2019. The Department has stated that they have made arrangements to recoup the overpayments from the individuals involved, that the underlying issue that gave rise to the overpayments has been addressed and that there is no likelihood of it re-occurring in the future.² The overpayment debts in these cases were not raised for recovery until February 2020 and is therefore not included in the 2019 overpayments amount of €15.8 million recorded in the SIF accounts.

² The payments processing batch run procedures have been amended to include additional controls and checks for operators which will help prevent this issue recurring. This includes payment trend analysis which identifies and signals out of norm payment creation which must then be approved by a manager and business owner before the payment production can proceed.

4.53 The rate of overpayment recovery has also been consistent in the period 2015 to 2019, in the range €78 million to €82 million (€79 million in 2019).

Conclusions and recommendations

- 4.54** The level of irregular payments found by the Department's control surveys is material. Accordingly, I have referred in my audit reports on the 2019 appropriation account for Vote 37 Employment Affairs and Social Protection and the 2019 financial statements of the Social Insurance Fund to the material level of irregularity of scheme payments.
- 4.55** Since 2014, the Department planned each year to undertake two or three point-in-time control surveys. The time it takes to complete and publish the findings of the controls surveys can vary from one year to up to three years.
- 4.56** The Department has initiated, from 2020, a continuous sampling process for certain larger schemes — jobseeker's allowance and disability allowance.

Recommendation 4.1

The Department should address the causes of the delays in completing and publishing the results of the point-in-time control surveys and tightly control the administration, finalisation and publication of the newly introduced surveys based on continuous sampling.

Accounting Officer's response

Agreed.

At all times, the Department strives to complete and publish control surveys as quickly as possible and to the highest standards and has generally delivered survey reports on target. In most years (2015, 2016, 2017 and 2019) two control survey reports were published. Our operational experience has shown, however, that each survey tends to raise different types of issues which can take time to resolve. In particular, we have found that schemes with a medical component tend to take longer to complete because of their nature and the underlying eligibility conditions attaching to the schemes. The Department will review the manner in which these surveys are conducted with a view to making whatever improvements are possible to complete the surveys in the most efficient and timely manner. In addition, the move to continuous sampling for larger schemes will expedite the production of control survey reports. Control survey reviews receive priority and the Department will endeavour to ensure that two surveys are published yearly as has been the case in four of the last five years.

- 4.57** Most control reviews comprise a mailshot to the claimant (in particular in relation to child benefit reviews) or do not require a personal engagement with the claimant. The Department's control division proposes the annual target for the number of reviews to be carried out by each scheme area which is approved by the control programme board and the Management Board.
- 4.58** The intensity of control reviews for individual schemes is not commensurate with the proportion of cases where an overpayment is detected or the average overpayment detected. Therefore, the process for setting the target number of reviews for each scheme area may not result in the most effective use of available resources.

Recommendation 4.2

The Department needs to review its approach to setting targets for the number of reviews to be conducted, to ensure the most effective use of available resources.

Accounting Officer's response

Agreed.

In advance of setting targets for 2021, the Department will review its overall approach to setting annual targets across the various scheme areas, taking on board the recommendations made by the Comptroller and Auditor General. In this regard the Department would point out that the use of risk-factor analysis and business analytics can yield a higher level of overpayment detection on a targeted set of control reviews and it does not necessarily follow that increasing the number of reviews will result in the same high level of detection across a larger review set. Target setting will be reviewed with the relevant stakeholders during last quarter of 2020 and first quarter of 2021.

- 4.59** In 2019, the Department conducted 80% of the target number of reviews. The biggest shortfall in the volume of reviews was in relation to child benefit and jobseeker's schemes. The biggest shortfall in terms of percentage of target was in relation to illness/disability and supplementary welfare allowance.

Recommendation 4.3

The Department should ensure that it has adequate resources to conduct planned reviews and monitor the completion of these reviews on an ongoing basis. It should ensure that prompt action is taken where a significant shortfall between planned and actual reviews is likely to occur.

Accounting Officer's response

Agreed.

The issue with respect to suspension of child benefit reviews has been addressed earlier in this chapter. The Department will examine its capacity to meet planned reviews, during the last quarter of 2020 and first quarter of 2021, when setting targets, while recognising the competing demands placed on staff resources. While there is always a balance to be struck between the processing and administration of new claims or requests for reviews from claimants and control reviews, the Department will endeavour to ensure that dedicated resources allocated to control reviews will be maintained. Reviews will be monitored on an ongoing basis to take action where significant shortfall is envisaged.

- 4.60** Data produced by the Department show that its risk-based approach, particularly those claims selected for review by the BAU, is more effective than random sampling of claims. However, claims selected for review by the BAU represented only 4% of all claims reviewed. The level of overpayments detected by control reviews has been broadly consistent in recent years and the level of recoveries has also been broadly consistent.

- 4.61** The Control Programme Board was established to oversee the control process for all schemes. However, there is no formal structure for reporting significant control issues identified by control reviews by each scheme on a periodic basis to the Control Programme Board.

Recommendation 4.4

The Department should formalise the structure for collating and reporting significant control issues identified by control review testing for each scheme.

Accounting Officer's response

Part agreed.

The Department's Control Programme Board receives an update at each of its meetings regarding the progress being made across the various schemes areas in meeting their review and savings targets for the year. While learnings from the control reviews undertaken are discussed currently, the Department will ensure that a formal structure of communication will be implemented by the scheme areas to the Control Programme Board in future. Control Division will also analyse the underlying causes of overpayments and report the findings to the Control Programme Board. This would facilitate a systematic approach to the identification of required actions which might include the implementation of new controls or the modification of existing procedures. The Department will ensure that all discussions among Board members, on issues affecting targets, and learnings from control reviews will be included in the minutes in future to confirm that these issues have been considered in detail.

- 4.62** The examination found in respect of a sample of one hundred control reviews conducted in 2019 that there was evidence to support that the reported control reviews had been conducted — each control review had been recorded on the IT system. However, the examination also found that the absence of a clear record of the work undertaken as part of the control review made it difficult to assess in some 10% of cases what assurance was gained from the control review.

Recommendation 4.5

The Department should consider whether the current documentation in respect of the control reviews is sufficient or whether it should be changed in order to facilitate the systemic recording of work undertaken and decisions reached including the identification of potential improvements of scheme controls.

Accounting Officer's response

Agreed.

The Department will consider the current documentation recorded and retained to underpin control reviews, during the last quarter of 2020 and first quarter of 2021, within the limits of data protection regulations with a view to ensuring that there is as complete as possible a record as to how decisions are reached.

- 4.63** In general, the detected value of overpayments in relation to suspected fraud has trended down since 2013. Overpayments detected that resulted from official error grew significantly in 2019. The increase mainly related to €12.2 million illness benefit overpayments due to the implementation of a new IT system, which points towards a need for more robust testing prior to 'go live'.

Recommendation 4.6

The Department should ensure that new systems are fully tested and relevant stakeholders have agreed to operate the new system, in advance of material changes to a process.

Accounting Officer's response

Agreed.

The Department already performs a detailed range of system, integration, and user tests before any IT system is deployed and had successfully migrated most of its main schemes (including pensions, disability, invalidity, carers, child benefit, treatment benefit etc.) onto the BOMi IT platform before the illness benefit system was migrated. As part of the process of implementing the illness benefit system the Department had also successfully migrated a sub-segment of the illness benefit claim load (partial capacity benefit recipients) earlier in 2018. The Department commissioned an independent review of the illness benefit system deployment the results of which, including the need to ensure full co-operation by all stakeholders, even where such stakeholders are not affiliated with a recognised body for negotiating purposes, have now been considered by the Department's programme governance committee and will be factored into all future system deployments.

Annex 4A Key elements of the Compliance and Anti-Fraud Strategy 2019 to 2023

Prevent	<ul style="list-style-type: none"> ▪ Authentication of customer identity ▪ Validation of data supplied ▪ Minimisation of official error through training and systems development ▪ Provision of clear and understandable information on scheme rules ▪ Increase awareness of requirement to notify Department of change in circumstances
Deter	<ul style="list-style-type: none"> ▪ Investigation ▪ Overpayment recovery ▪ Prosecution
Detect	<ul style="list-style-type: none"> ▪ Data analytics ▪ Data matching (internal and third party) ▪ Risk assessment ▪ Claim reviews ▪ Special Investigation Unit ▪ Control surveys for schemes
Account	<ul style="list-style-type: none"> ▪ Targets for control activities ▪ Quarterly report to Department's Management Board ▪ Annual published report on control activities

Source: Department of Employment Affairs and Social Protection

Annex 4B

Control surveys

Eligibility to a welfare payment varies from scheme to scheme and may require satisfying criteria relating to age, family circumstances and/or economic status. Most scheme payments depend on either a social insurance contribution record or a claimant's income from other sources.¹

There are two main survey approaches used by the Department

- a point-in-time survey which examines a sample of claimants in receipt of a payment at a specific period of time (for example, the State Pension non-contributory scheme control survey examined 1,000 claimants in payments on the week beginning 16 October 2017)
- a continuous sampling process where a scheme is sampled at specified intervals, over the course of the year (for example, the examination of 250 claimants of jobseeker allowance claimants in January, April, July, and October each year.

The Department has been conducting point-in-time control surveys of schemes for many years, with each review considering 500-1,000 claims — eighteen such reviews were published in the period 2012 to 2019. The point-in-time approach will continue for all schemes except the larger schemes.

Under the Department's Compliance and Anti-Fraud Strategy for the period 2019 to 2023, the Department has initiated, from 2020, a continuous sampling process for certain larger schemes — jobseeker's allowance and disability allowance. In relation to State pension while the strategy had planned to conduct rolling surveys it has since amended this approach and will now select a single annual sample for review and will review contributory and non-contributory schemes in alternate years.²

The Department has implemented further changes since the publication of the Compliance and Anti-Fraud Strategy in September 2019. The Strategy had proposed a control survey of the disability allowance scheme for 2020 — the Department subsequently stated that this would not commence until 2021 due to recent changes in scheme control processes.

Figure 4B.1 shows control surveys planned to be conducted during 2020 and the expected publication date.

¹ A claimant's income is determined through means testing.

² The contributory scheme will be surveyed in 2020, 2022, etc. and the non-contributory scheme will be surveyed in 2021, 2023, etc.

Figure 4B.1 Control surveys planned for 2020 and expected publication date

Scheme	Year commenced/to commence	Planned publication
Point in time basis		
One parent family payment	2019	Q4 2020
Jobseekers benefit	Will not commence until 2021 ^a	Not specified
State pension (contributory)	Will not commence until 2021 ^a	Not specified
Rolling survey basis		
Jobseekers allowance	2019	Q4 2020
Disability allowance	Will not commence until 2021 ^{a,b}	

Source: Department of Employment Affairs and Social Protection

Notes: a The planned survey has not commenced due to the impact of Covid-19.

b The control survey of the disability allowance scheme was postponed to allow changes in process controls to become embedded in practice.