

## 17 Regularity of Social Welfare Payments

- 17.1** The Department of Social Protection (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.
- 17.2** Payments in excess of the entitlement under the terms of welfare schemes are 'irregular'. Such payments can arise due to
- claimant fraud — where the claimant intentionally provides incomplete or inaccurate information in order to receive benefits, or deliberately fails to inform the Department of relevant changes in circumstances
  - claimant error — which arises when the claimant has provided inaccurate or incomplete information, or failed to report a relevant change in circumstances (such as an increase in means or a change in medical condition), but there is no clear fraudulent intent on the claimant's part
  - departmental or administrative error — where benefits are paid incorrectly due to inaction, delay or mistakes made by the Department's staff.
- 17.3** I referred in my certificates on the 2012 Appropriation Account for Vote 37 and the 2012 Account of the Social Insurance Fund (SIF) to the level of irregularity of scheme payments, which I considered material in the context of each account.

### Department's Review Programme

- 17.4** The Department undertakes fraud and error surveys to establish the level of risk associated with particular schemes and areas with a view to designing processes and control measures specifically targeted to minimise the level of future risk.
- 17.5** The Department considers a number of factors when selecting and scheduling schemes to be surveyed. These include
- whether a previous survey of the scheme has been conducted
  - the length of time since the last survey
  - coverage of both Vote and SIF schemes
  - scheme expenditure
  - the burden of undertaking the survey including the capacity of the inspectorate, scheme and local offices, and medical assessors.

- 17.6** The Department's programme of surveys envisages at least two surveys each year over the six years to 2016. The schedule is reviewed annually and adjusted if necessary in the light of business needs and emerging trends. A survey of the rent supplement element of the supplementary welfare allowance scheme was added to the schedule and commenced in March 2013. Surveys of the remaining elements of that scheme will be conducted in subsequent years.
- 17.7** The Department is currently finalising the outcome of its survey of the jobseekers allowance scheme undertaken in 2012. A survey of widows/widowers/surviving civil partner's pension (contributory) commenced in August 2013. Surveys of invalidity pension and illness benefit are also scheduled for 2013.
- 17.8** This report looks at fraud and error surveys completed in 2012 and 2013, to assess the reliability of the process and the implications of the results.

### Estimates of Level of Irregular Payments

- 17.9** An estimate of the level of excess payment is not available for all schemes. Figure 17.1 sets out an estimate of the scale of irregular payments for 2012 based on the latest available fraud and error surveys for schemes where such surveys have been carried out.

**Figure 17.1 Estimated levels of irregular payments in surveyed schemes**

Account and scheme	Year of survey <sup>a</sup>	Estimated level of irregular payment		Scheme cost 2012 €m
		Scheme	Department <sup>b</sup>	
<b>Vote schemes</b>				
Family Income Supplement	2005	3.3%	n/a	224
State Pension (non-contributory)	2007	1.9%	n/a	963
Jobseekers Allowance	2009	3.1%	n/a	3,055
Disability Allowance	2010	18.4%	4.1%	1,088
One-Parent Family Payment	2011	7.1%	2.7%	1,058
Child Benefit	2012	0.5%	0.5%	2,047
<b>Social Insurance Fund schemes</b>				
Illness Benefit	2006	0.4%	n/a	774
State Pension (contributory/transition)	2008	1.1%	n/a	3,949
Jobseekers Benefit	2011	2.5%	1.6%	737

Source: Department of Social Protection

Notes: a Base year for survey

b Net loss to welfare system taking account of cases where disallowed scheme claims are succeeded by claims/dependant payments on other schemes.

### ***Vote Funded Schemes***

- 17.10** There is wide variation in the level of irregular payments in Vote funded schemes. The surveyed Vote schemes account for €8.4 billion of expenditure. The extent of irregular payments in schemes that have not been surveyed and which account for a further €3.1 billion of expenditure, is not known.

### ***SIF Funded Schemes***

- 17.11** There is also variation in the level of irregular payments in SIF schemes. The State pension (contributory/transition) and jobseekers benefit schemes accounted for over half of the €8.6 billion SIF scheme expenditure in 2012. Each scheme has estimated irregular payment levels in excess of 1% of expenditure.

### **Latest Survey Results**

- 17.12** In June 2012, the Department published the findings of fraud and error surveys of three schemes - jobseekers benefit, disability allowance and one-parent family. The findings of its survey of child benefit were published in March 2013. The results of these surveys are summarised in Figure 17.2.
- 17.13** Three of the four schemes had expenditure in excess of €1 billion in 2012. The jobseekers benefit scheme cost €737 million.
- 17.14** The 2012/2013 surveys, unlike previous surveys, calculated the 'net loss' to the Department. This involves adjusting the level of irregular payment identified to take account of cases where the claimant becomes eligible for payment under another scheme or becomes an adult dependant of another claimant. Therefore, while the 'gross loss' represents the level of fraud and error in the scheme, the net loss seeks to take into account the impact on the welfare system as a whole.
- 17.15** Significant factors in relation to the schemes included
- the majority of fraud and error cases identified in the jobseekers benefit scheme arose because claimants received benefits for days when they were working
  - over 75% of the fraud and error cases in the one-parent family scheme were attributed to claimants' means and approximately 10% to cohabitation
  - most fraud and error in disability allowance arose because the claimants were found to no longer meet the qualifying medical criteria
  - in the five child benefit fraud cases identified, the claimants were found to have left the country without notifying the Department.

**Figure 17.2 Estimated value of irregular welfare payments — 2012 and 2013 surveys**

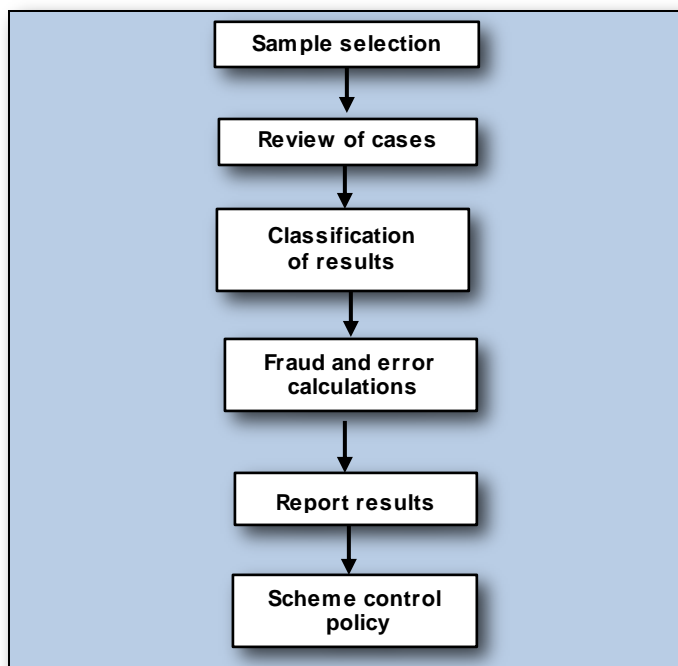
	Percentage of scheme payments, by value		
	Scheme irregular payments	Reinstated or transferred claims	Net loss
<b>Jobseekers Benefit</b>			
Due to fraud	0.1%	-	0.1%
Due to error	2.4%	0.9%	1.5%
<b>Total</b>	<b>2.5%</b>	<b>0.9%</b>	<b>1.6%</b>
<b>One-Parent Family Payment</b>			
Due to fraud	6.7%	4.4%	2.3%
Due to error	0.4%	-	0.4%
<b>Total</b>	<b>7.1%</b>	<b>4.4%</b>	<b>2.7%</b>
<b>Disability Allowance</b>			
Due to fraud	2.1%	0.9%	1.2%
Due to error	1.0%	0.1%	0.9%
Due to medical ineligibility <sup>a</sup>	15.3%	13.3%	2.0%
<b>Total</b>	<b>18.4%</b>	<b>14.3%</b>	<b>4.1%</b>
<b>Child Benefit</b>			
Due to fraud	0.5%	-	0.5%
<b>Total</b>	<b>0.5%</b>	<b>-</b>	<b>0.5%</b>

Source: Fraud and Error Survey Reports, Department of Social Protection, June 2012 and March 2013

Note: a The Department considers that a change in medical eligibility does not constitute a fraud or error.

## The Survey Process

- 17.16** The Department's Fraud Initiative 2011-2013 sets out an approach to control of schemes which includes the identification of risks in each scheme and the development of an appropriate control policy.
- 17.17** The surveys involve the selection of a sample of cases and review of those cases by social welfare inspectors. Deciding officers then make a decision on eligibility in each case based on the outcome of those reviews. The results are processed centrally and a fraud and error survey report is compiled. The key stages in the process are set out in Figure 17.3.

**Figure 17.3 Key stages in Fraud and Error Survey process**

**17.18** The criteria necessary for successful implementation of a survey of underlying fraud and error on a claim scheme are

- all cases for inclusion in the survey are selected randomly from the population of cases in payment at a specific time
- the sample size is sufficiently large to yield reasonably reliable estimates
- the reviews are carried out promptly following sample selection
- cases are tested fully for all possible breaches of regulations
- the monetary value of any changes as a result of the review together with the monetary value of the sample is captured so that the results can be extrapolated to draw conclusions about the estimated value of the loss
- the results of the survey are capable of being audited.

**17.19** The recent fraud and error surveys were audited against these criteria. In doing so, a sample of the cases that were selected for survey was examined for each scheme. The sample consisted of 50 cases selected from the four surveys.<sup>1</sup> Databases compiled by the Department in respect of each survey containing the outcome of its investigations were also examined. In addition, a statistical consultant was engaged to provide advice on the sampling methodology.

<sup>1</sup> Ten cases for each of disability allowance and one-parent family schemes and 15 cases for each of jobseekers benefit and child benefit schemes.

### **Sample Selection**

- 17.20** The Department selected random samples of 1,000 cases each in the case of the one-parent family, jobseekers benefit and child benefit schemes. A sample of 1,050 cases was selected randomly for review in the case of disability allowance.
- 17.21** The examination identified a number of issues with regard to the sampling process. These are outlined in the following sections.

### *Population Definition*

- 17.22** In two of the surveys examined, the population from which the samples were drawn was restricted. The survey of the one-parent family scheme excluded cases administered centrally and the jobseekers benefit survey was limited to cases with less than 50 paid days. The restriction in the population to be sampled may result in unrepresentative results.
- 17.23** The Accounting Officer considers that the decisions to restrict the population in these surveys were taken for valid business reasons. In the case of the one-parent family survey, centrally administered cases were excluded to be consistent with the previous survey of the scheme and because the majority of cases are administered by local offices. It was considered that this would best highlight the risks associated with the scheme. As the jobseekers benefit scheme is time limited and has a high level of 'churn', claims with a more recent commencement date were selected for review to maximise the potential number of cases to be surveyed.

### *Sample Size*

- 17.24** The review of sample cases is a significant task. Using data from previous surveys and applying sampling theory, the sample size for the desired confidence level and margin of error considered to be acceptable can be determined. While confidence intervals are narrower for larger sample sizes, an acceptable margin of error in the survey results can potentially be achieved with a significantly smaller sample than the standard 1,000.
- 17.25** It may be possible to achieve the same margin of error with smaller sample sizes using stratified sampling. A stratified random sample is a method of sampling that involves the division of the population into smaller groups (known as strata) based on shared attributes or characteristics. A random sample from each sub-group is selected. A larger number may be selected from strata where there is a greater risk of fraud and error, with the results re-weighted at the end in line with the profile of the population.
- 17.26** The Department selected a stratified random sample in the case of the child benefit scheme. The stratifying variables used were method of payment (bank or post office) and PPS number.

### *Selecting Cases*

- 17.27** Cases should be selected at random from the population of cases in payment. There will often be circumstances where a case selected as part of the sample will have to be excluded, for example, where the claimant has died. Oversampling can be used to allow for these cases, with the selection of the next available case in an ordered list of sampled cases to replace losses.

- 17.28** The jobseekers benefit survey report notes that 204 (20%) of the selected cases were excluded from the review. Some of these were cases where payments had been suspended at the date of sample selection. When selected, the local offices closed the claims without review and the claim closures were not attributed to the survey process. On that basis they were excluded from the survey results. Given this level of exclusion, there may be scope to use oversampling.
- 17.29** Regarding the disability allowance survey, whilst overall the sample size was sufficient, 39 cases were excluded from the review. They were excluded for a variety of reasons including inability to locate files or because the case was already under review. Excluding cases already under review may result in understatement of fraud and error rates in the sample.
- 17.30** The Accounting Officer stated that the 39 cases were excluded from the survey before the files were sent to inspectors for review and that the Department still had in excess of 1,000 cases for review. The Department's approach is to include cases in certain categories such as cases already under review, unless their status is identified prior to the case being sent for review. In the Department's opinion, this is a legitimate approach.

### ***Review Process***

- 17.31** Social welfare inspectors were required to carry out reviews of the sample claims and complete a standard inspection report specific to the particular scheme under investigation. The instructions to staff varied between schemes but in general inspectors were required to review claims for proof of identity, residency and any other change of circumstances which may affect eligibility. All cases for review and their outcomes were recorded on a computer system, with each survey and sample claim having a unique identification number.
- 17.32** Deciding officers based their decision in each case on the outcome of the inspector's review. The decision was recorded on a form for each case, except in the child benefit survey where the decisions were recorded electronically.
- 17.33** In the case of the disability allowance survey, a Departmental medical assessor reviewed compliance with the medical qualifying conditions based on supporting evidence provided by the claimant.
- 17.34** All cases in schemes where medical assessment is a factor are reviewed by both social welfare inspectors and medical assessors. There may be scope to use two-phase sampling to streamline this. This would involve a review of all sample cases by a social welfare inspector and a medical review of only a sample of those cases. Ratio or regression analysis techniques could then be used to estimate the level of fraud and error.

### ***Timeliness of Review***

- 17.35** The cases selected should be reviewed as soon as possible after extraction to avoid post-sampling events affecting the outcome. In the surveys examined, some such events were taken into account in 'de-selecting' cases for review.
- 17.36** The surveys took between eight months (jobseekers benefit) and 22 months (disability allowance) to complete.

- 17.37** In the case of the disability allowance scheme, there was a gap of six weeks between the date of sample selection and staff being advised of the survey. The Department has pointed out that this delay is not considered to be a significant issue because this is a long term scheme with minimum 'churn'.
- 17.38** A replacement sample was selected in the case of the jobseekers benefit survey due to delays in starting the data collection process. Because of these delays it was appropriate to select a new sample. However, commencement of reviews promptly after sample selection would negate the need for new samples and lead to a more efficient process.
- 17.39** As previously recommended, the use of continuous reviews for some schemes could help to achieve more timely completion of reviews.

#### *Review Evidence*

- 17.40** A standard social welfare inspector report provides a clear record of the extent and result of the review carried out. It helps ensure that there is clear evidence that all key criteria have been addressed. Standard reports could also be used to outline the reasons for excluding a selected case from review as well as details of all unsuccessful attempts to contact a claimant.
- 17.41** Standard reports were not used in about one third of cases reviewed as part of this examination. The Accounting Officer stated that the Department considers there is a clear record of the extent and result of the review carried out in all cases. She stated that in many of the cases, the standard report was not completed because the social welfare inspector did not interview the customer.
- 17.42** Case files should contain evidence that all the checks required to review a case were carried out. In general, fraud and error documentation is not filed separately in claimant files. This makes verification of the basis for the review decision difficult. While there was evidence in most cases of at least some of the checks carried out, for 24 of the 50 cases reviewed, gaps in the documentation of evidence were noted. The Department has examined these cases and has stated that it is satisfied with the evidence supporting each review.
- 17.43** In a small percentage of cases, a review by a social welfare inspector was not carried out. The Department has stated that these cases were desk reviewed and it is satisfied that they were appropriately reviewed and classified.

#### *Classification of Results*

- 17.44** For three of the four schemes, a fraud and error database with the outcome of each case was completed by the central support unit or the scheme headquarters. These databases classified cases as resulting in 'no change', 'fraud', 'customer error' or 'department error'. The database also recorded whether each fraud and error case resulted in a termination, a reduction, an increase or an overpayment relating to earlier periods.
- 17.45** For a small number of cases examined, it appeared that the case had been incorrectly classified. These included cases which were treated as 'no change' but where there were clear indications that payment had been reduced or terminated.

- 17.46** The Department's policy is to classify cases where payment is terminated or reduced as 'no change' unless the termination or reduction can be specifically linked to the survey process. The Department should consider the impact of this approach on the classification of results.
- 17.47** The Accounting Officer pointed out that this practice reflects the legitimate movement that happens over the lifetime of a social welfare claim. Payments on schemes are not static and a customer's entitlement can terminate, reduce or increase for many legitimate reasons. The Department, however, does not consider this movement to be fraud, customer error or departmental error.

### ***Fraud and Error Calculations***

- 17.48** Where a case review indicates that there is a payment in excess of entitlement, the amount of the excess payment is calculated and recorded on the database as a termination or a reduction in claim. The excess payment calculated is adjusted in situations where the claimant successfully appeals the determination or is found to be entitled to another social welfare payment either in their own right or as an adult dependant.
- 17.49** While in general, the calculations were in order, the examination noted a small number of cases where the calculations had not been carried out correctly.

### ***Reporting Survey Results***

- 17.50** For each survey, the Department publishes the overall rate of fraud and error, the rate of re-instated or new benefits to which claimants became entitled either in their own right or as adult dependants and the resultant net loss rate. These are reported both by value and number of claims.
- 17.51** There is a level of uncertainty with all estimation techniques. The reports provide a point estimate only of the level of fraud and error in each scheme. No measure of uncertainty is reported for the level of fraud and error cases either by value or number of claims.
- 17.52** There are no monetary values given in the reports for the weekly payments to the sample population or the amount of fraud and error discovered. The results are reported only in percentage terms. The total scheme expenditure is not reported and an extrapolation of the estimated cost of fraud and error in the scheme as a whole is not presented.

### ***Quality Control***

- 17.53** Quality control at all stages of the fraud and error survey process is important in ensuring the results are sound and can be relied on. The findings of the examination indicate that there is scope for the Department to strengthen existing controls. Clearer procedures and instructions to staff would also help to ensure quality. In addition, an independent quality review of a sample of cases to ensure consistency in decision making would be useful.
- 17.54** An independent review of the decision process was included in the procedures for the disability allowance survey. Those procedures provided for a sample of the 'change in rate' cases to be reviewed by the Decisions Advisory Office.<sup>1</sup> No cases were reviewed however.

<sup>1</sup> The Decisions Advisory Office of the Department has responsibility for ensuring that decisions made on social welfare claims are consistent and of good quality.

- 17.55** The Accounting Officer stated that the planned review by the Decisions Advisory Office was subsequently not considered necessary as cases had been decided by a central experienced unit and at the time the Decisions Advisory Office lacked staff experienced in disability allowance decisions.

### ***Scheme Control Policy***

- 17.56** The scheme control policy, which is in place for each scheme, should be updated to reflect the fraud and error survey findings. Control policies and procedures were updated for the disability allowance and jobseekers benefit schemes following the surveys. No changes were considered necessary to the other two schemes.
- 17.57** It was noted that in the disability allowance survey, deciding officers were required to capture whether the claim had previously been reviewed and if so, the date of the last review. There would be merit in examining the last review date of all surveyed cases in order to establish whether there is any link between review dates and high risk cases as revealed by the fraud and error review.

## **Conclusions and Recommendations**

- 17.58** The Department's fraud and error surveys provide valuable information about the level of payments in excess of entitlements and the risks associated with particular schemes. While, in general, the surveys are conducted in accordance with the Department's procedures, the examination identified a number of areas where improvements can be made both to improve the efficiency of the survey process and increase the reliability of the results.
- 17.59** The Department's main objective in carrying out surveys is to identify categories of cases that present the highest risk. The scheme control policies for the schemes surveyed were amended where necessary as a result of the surveys completed.
- 17.60** Fraud and error surveys provide an opportunity for the Department to estimate reliably the underlying level of welfare payments in excess of entitlement. This would provide a basis for assessing the effectiveness of the Department in detecting excess payments and in tracking its effectiveness over time in deterring such payments. A key factor in this is ensuring the representativeness of the samples that are drawn from the scheme population.

**Recommendation 17.1:** The Department should ensure that surveys are designed in such a way as to enable the results to be extrapolated to the scheme population.

**Accounting Officer's Response:** Part agreed. The Accounting Officer stated that it is her considered view that the extrapolation of survey results to scheme expenditure as a whole is not appropriate and is not the purpose for which surveys are conducted. Surveys are a point in time measure. She stated that the outcomes of surveys are analysed to identify the high risk claims and to profile high risk customers so that an appropriate control response is developed. The Department takes the necessary and appropriate steps to address and eliminate the risks identified as quickly as possible. The Department will, however, examine this issue in its consideration of the possibility of having a continuous survey in operation for some schemes.

- 17.61** The fraud and error reports document the results in terms of a percentage of gross expenditure. The results are presented as a point estimate and are not reported in monetary value terms.

**Recommendation 17.2:** The Department should report the monetary amounts of fraud and error identified as well as the percentages.

**Accounting Officer's Response:** Agreed. The monetary value of fraud and error identified will be published in future surveys.

- 17.62** Review of 1,000 cases in each survey is a resource intensive exercise. The results of previous surveys and consideration of the acceptable margin of error for each scheme may enable sample sizes to be reduced. Stratified sampling is also a potential means of reducing sample size. 'Two-phase' sampling could streamline the review process for schemes involving medical assessment. Oversampling can be used to deal with cases that have to be omitted due to post-survey events.

**Recommendation 17.3:** The Department should

- Carry out a review of the sample size for each scheme using data from past surveys and sampling theory to determine the optimum sample size. This should be updated after each survey.
- Consider the scope for using stratified sampling in all schemes.
- Consider the use of 'two-phase' or 'double' sampling for assessing medical cases.
- Review its policy for excluding certain categories of cases after selection and explore the use of oversampling to account for situations where cases have to be omitted after selection.

**Accounting Officer's Response:** Part Agreed. The Accounting Officer notes the points raised in relation to sampling. However, she stated that a sufficient sample of cases from each category of claimant was essential if the survey results were to be used to direct control policies for schemes. The Department will consider the use of stratification for future surveys. 'Two phase' sampling will be considered in the context of the planned survey of the invalidity pension scheme. Consideration will also be given to the use of oversampling to account for cases that have to be omitted after selection.

- 17.63** There is a long time lag between sample selection and reporting of results — the surveys took between eight and 22 months to complete.

**Recommendation 17.4:** Reviews should be carried out promptly after sample selection and clear cut-off dates should be established. The possibility of having a continuous survey in operation should be considered for some schemes whereby, a certain number of cases would be reviewed each month or periodically over the year.

**Accounting Officer's Response:** Part agreed. The Accounting Officer pointed out that where medical assessment is involved, it is extremely difficult to prevent a protracted survey duration in order to allow for initial assessments, reviews of evidence submitted, examinations and appeals.

The Department has been examining the possibility of using continuous reviews. Issues that need to be considered include the resources involved and the fact that such reviews may not always be appropriate, for example, where a high expenditure scheme has a low level of fraud and error.

The Department will examine the use of a cut-off-date. However, operating a strict cut-off-date may distort the survey results as it may lead to difficult cases being excluded.

- 17.64** Full testing of the sample cases for all eligibility conditions is key in ensuring the reliability of the survey results. In some cases examined, it was difficult to identify evidence that all checks had been carried out. Standard forms to record reviews assist in providing a clear audit trail to demonstrate that a full assessment of each case was carried out.
- 17.65** The results of each survey as recorded on the survey database provide the basis for the reported results. The audit found a small number of instances where the value of fraud or error identified appeared to have been incorrectly calculated. Currently, the Department only classifies cases as a fraud or error if a termination or reduction in payment arises directly from the survey. The survey process does not include an independent review of a sample of cases.

**Recommendation 17.5:** The Department should consider

- the use of standard documentation for all cases to demonstrate that all eligibility checks were carried out or the reason why a case could not be reviewed
- the filing of fraud and error documentation and other evidence to support the review in a separate section in claimant files
- its policy for classifying cases
- strengthening existing quality controls in the survey process including introduction of an independent review of a sample of cases.

**Accounting Officer's Response:** Part agreed. The Department will examine and implement, where appropriate, the process improvements suggested.

Notwithstanding the fact that standard documentation was not used in all cases, the Accounting Officer is satisfied that sufficient documentation is held as evidence in all cases. She does not consider that filing survey documentation separately is practical or necessary.

The Accounting Officer stated that she accepted the need for a strengthening of existing quality controls. She pointed out that surveys are conducted by scheme owners and there is oversight by the Department's control division and its statistician. All decisions on cases were taken by experienced officers ensuring consistency and quality in the decision process.