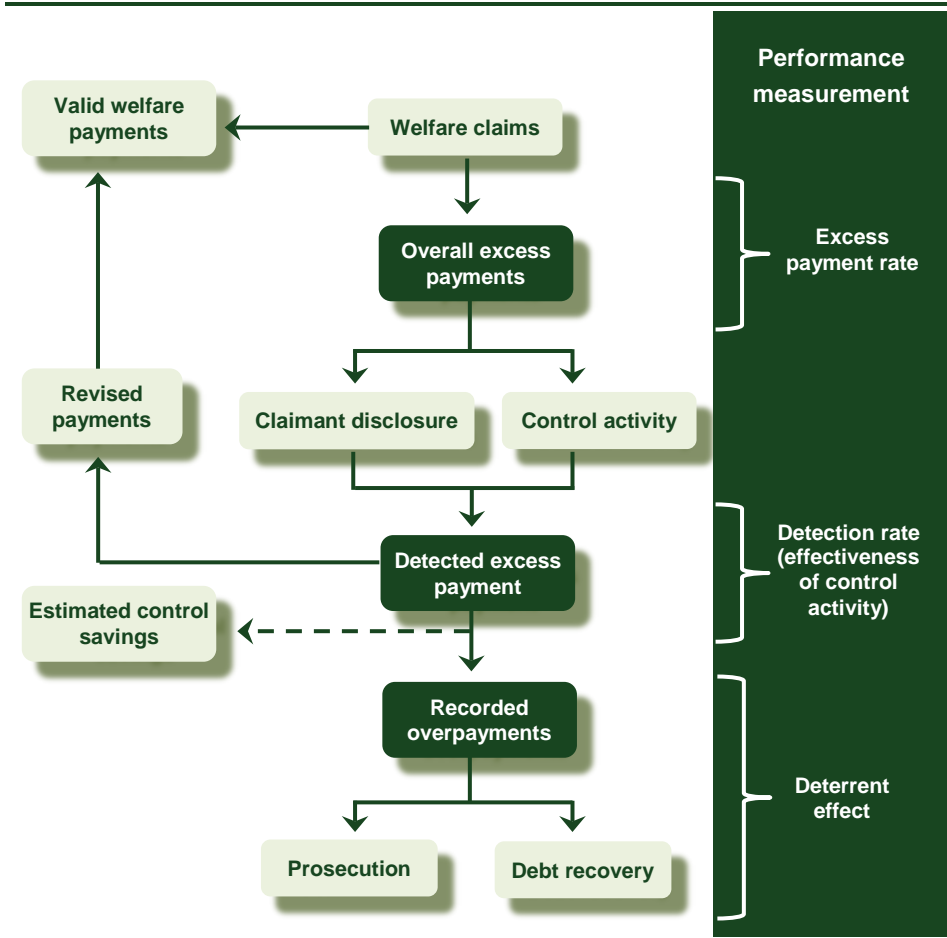


## 9 Regularity of Social Welfare Payments

- 9.1 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.
- 9.2 I have referred in my audit certificates on the 2015 Appropriation Account for Vote 37 Social Protection and the 2015 Account of the Social Insurance Fund to the level of irregularity of scheme payments, which I consider to be material in the context of each account.
- 9.3 Payments in excess of 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.<sup>1</sup>
- 9.4 Where excess payments arise, the Department's objective is to identify promptly the excess payment and to adjust the payment level accordingly. Where a departmental deciding officer determines that an overpayment has occurred, the Department seeks to recover the amount of the overpayment from the claimant.
- 9.5 The Department's performance in managing the risk of excess payment can usefully be considered from three perspectives, as outlined in Figure 9.1,
- the **overall level of excess** payments across welfare schemes
  - the Department's **success in detecting cases of excess payment**, relative to the underlying problem and
  - the **deterrent effect** of the Department's response to cases of excess payment it detects, including recovery of overpayments.

<sup>1</sup> In some cases, claimant and departmental error can also result in claimants receiving less than they are entitled to.

**Figure 9.1 Managing and measuring excess welfare payments**



Source: Office of the Comptroller and Auditor General

**‘Fraud and Error’ surveys**

- 9.6 The Department undertakes fraud and error surveys of social welfare schemes. These are point-in-time measurements of fraud and error in schemes. The surveys involve reviews of random samples of claims in payment to establish if the claimants are entitled to the payments they are receiving and if so, whether the correct amounts are being paid. The surveys assist the Department in identifying scheme risks and the need for any changes to the control measures in place.
- 9.7 The programme of fraud and error surveys to be carried out is set out in the Department's Compliance and Anti-Fraud Strategy 2014 – 2018 which was published in April 2014. Since then, it has reviewed and revised the schedule. The complete schedule of planned surveys (as at August 2016) is set out at Annex A.

## Estimates of level of fraud and error

- 9.8** Welfare schemes 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, often based on means tests. SIF schemes are based on social insurance, where eligibility is dependent on the level of the claimant's PRSI contributions. The nature of schemes and their eligibility criteria affects the potential for excess payments to arise.
- 9.9** Because fraud and error surveys are focused on randomly selected claims in payment, the survey results provide a basis for estimating the underlying level of payments in excess of entitlement for each scheme surveyed. Figure 9.2 sets out estimates of the scale of excess payments identified for schemes where surveys have been carried out.

**Figure 9.2 Estimated level of excess payments in surveyed schemes**

Account and scheme	Year of survey <sup>a</sup>	Estimated level of excess payments		Scheme cost 2015 €m
		Scheme <sup>b</sup>	Department <sup>c</sup>	
<b>Vote schemes</b>				
Farm Assist	2015	10.6%	10.4%	88
Household Benefits Package <sup>d</sup>	2015	6.4%	5.4%	75
Rent Supplement	2013	6.0%	5.0%	311
Child Benefit	2012	0.5%	0.5%	1,990
Jobseeker's Allowance	2012	4.6%	3.1%	2,743
One-Parent Family Payment	2011	7.1%	2.7%	671
Disability Allowance	2010	18.4% <sup>e</sup>	4.1% <sup>e</sup>	1,282
State Pension (non-contributory)	2007	1.9%	n/a	972
Family Income Supplement	2005	3.3%	n/a	368
<b>Social Insurance Fund schemes</b>				
Household Benefits Package <sup>d</sup>	2015	6.4%	5.4%	146
Illness Benefit	2014	13.3% <sup>e</sup>	5.9% <sup>e</sup>	620
Invalidity Pension	2014	2.8% <sup>e</sup>	1.5% <sup>e</sup>	649
Widow's/Widower's/Surviving Civil Partner's Contributory Pension	2013	0.8%	0.7%	1,422
Jobseeker's Benefit	2011	2.5%	1.6%	387
State Pension (contributory/transition)	2008	1.1%	n/a	4,477

Source: Department of Social Protection

- Notes:
- a Base year for latest scheme survey. More than one survey has been undertaken for some schemes.
  - b Includes cases which were subsequently successfully appealed.
  - c Net loss to welfare system taking account of cases where disallowed scheme claims are succeeded by valid claims/dependent payments on other schemes or where appeals are successful. The survey reports do not disaggregate these two categories.
  - d Household benefits are paid from the Vote and the Social Insurance Fund, the results of the survey have not been disaggregated.
  - e Includes cases deemed medically ineligible.

### ***Vote funded schemes***

- 9.10** There is wide variation in the level of excess payments found by surveys of Vote funded schemes. Apart from child benefit which is a universal payment (i.e. not means-tested), the estimates range from 1.9% of scheme expenditure in the case of the non-contributory State pension to 18.4% for the disability allowance scheme (including medical ineligibility).
- 9.11** Surveys in more recent years include an adjustment to the estimate to take account of cases successfully appealed or found to be ineligible for the scheme surveyed but entitled to a payment under another scheme, either as the claimant or as another claimant's dependant. In the case of the disability allowance scheme, this adjustment reduces the estimate to a net excess payment rate of 4.1%.
- 9.12** The surveyed Vote schemes account for expenditure of €8.5 billion in 2015. The extent of fraud and error in schemes that have never been surveyed and which account for a further €2.4 billion of expenditure, is not known.

### ***SIF funded schemes***

- 9.13** There is also variation in the level of excess payment in the SIF schemes surveyed. Estimates range from 0.8% for widows'/widowers'/surviving civil partners' contributory pension to 13.3% for illness benefit (including medical ineligibility). The surveyed SIF schemes with estimated levels of excess payments over 1% of expenditure accounted for 75% of the €8.3 billion SIF scheme expenditure in 2015.

### **Latest survey results**

- 9.14** The Department completed fraud and error surveys of three schemes in 2016 – see Figure 9.3.

**Figure 9.3 Fraud and error surveys commenced and completed**

Scheme	Commenced	Completion	
		Planned	Actual
Farm Assist	Q4 2015	Q2 2016	Q3 2016
Household Benefits Package	Q4 2015	Q2 2016	Q3 2016
Family Income Supplement	Q4 2015	Q2 2016	Not available

Source: Office of the Comptroller and Auditor General

- 9.15** The survey findings and report for the family income supplement scheme was not available at the time of drafting this report. The results of the farm assist and household benefits surveys were received in July 2016 which was too late for the examination of the survey results. A separate exercise will be carried out later in 2016 to verify the survey results of all three schemes, and may be reported on separately.
- 9.16** An analysis of the results of the surveys for farm assist and household benefits schemes is set out in Figure 9.4.

**Figure 9.4 Estimated level of payments in excess of entitlement, farm assist and household benefits package, August 2016**

	Percentage of claim payments found to be in excess of entitlement		
	Scheme rate	Reinstated or transferred claims	Net department rate
<b>Farm assist</b>			
Due to fraud	6.2%	0.2%	6.0%
Due to error on the part of			
– <i>Department<sup>a</sup></i>	1.7%	–	1.7%
– <i>Claimant</i>	2.7%	–	2.7%
<b>Total</b>	<b>10.6%</b>	<b>0.2%</b>	<b>10.4%</b>
<b>Household benefits package</b>			
Due to fraud	0.6%	–	0.6%
Due to error on the part of			
– <i>Department<sup>b</sup></i>	4.6%	0.6%	4.0%
– <i>Claimant</i>	1.2%	0.4%	0.8%
<b>Total</b>	<b>6.4%</b>	<b>1.0%</b>	<b>5.4%</b>

Source: Fraud and Error Survey Reports, Department of Social Protection, August 2016

Notes: a Overpayments and underpayments were netted against each other in arriving at the overall rate of departmental error.

b There were no underpayments identified in the survey.

## Conclusions

- 9.17** Fraud and error surveys are a key element within the Department's control systems. The two surveys completed to the end of July 2016 took in excess of eight months to complete. It is important to ensure that surveys are completed as expeditiously as possible to ensure the reliability and usefulness of the survey results. The Department has stated in relation to the timeliness of surveys that each survey presents its own methodology issues which take time to resolve.
- 9.18** Three fraud and error surveys were due for completion before the end June 2016. Two surveys were completed and provided to the examination team in July and one had not been received at the time of this report. A separate exercise will be carried out by the examination team to review the surveying methodology and verify the figures later this year.
- 9.19** The fraud and error survey result for the household benefits package targeted what was identified as a riskier sub-group of recipients within the scheme and comprised only 7% of the total number of scheme recipients. Surveys of other sub-groups within the scheme will take place at later dates which may change the overall rate of fraud or error for this scheme.

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**Annex A Schedule of fraud and error surveys, 2016 to 2018<sup>a</sup>**


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Planned survey timing		Scheme	Previous survey year
Commence	Planned Completion		
Q4 2015	Q2 2016 <sup>b</sup>	Family Income Supplement	2005
Q1 2016	Q4 2016	State Pension (contributory)	2008
Q1 2016	Q2 2017	Carer's Allowance <sup>c</sup>	–
Q3 2016	Q3 2017	Supplementary Welfare Allowance	–
Q1 2017	Q4 2017	Back to Work Enterprise Allowance	–
Q1 2017	Q1 2018	State Pension (non-contributory)	2007
Q4 2017	Q1 2019	Disability Allowance	2010
Q1 2018	Q2 2019	One-Parent Family Payment	2011

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Source: Department of Social Protection

- Notes:
- a as planned at August 2016
  - b not received at date of this report
  - c medical eligibility will also be reviewed as part of this survey