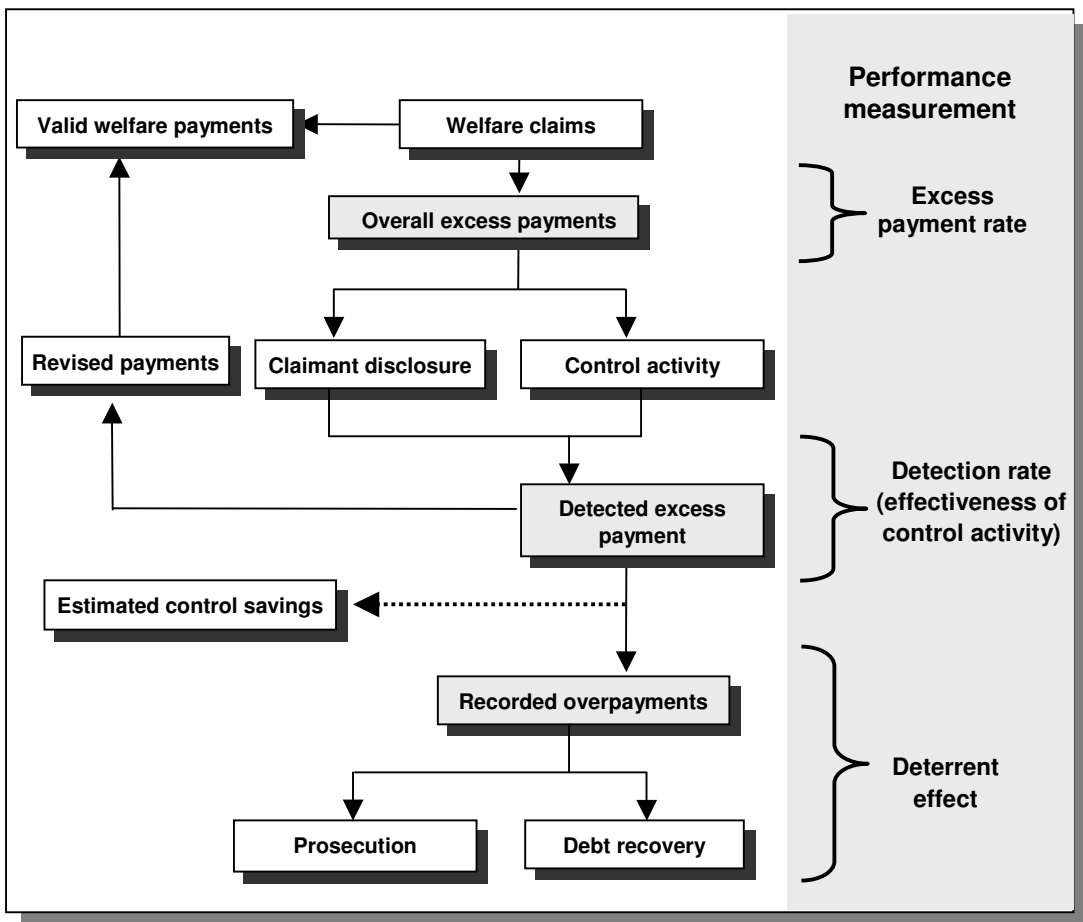


## 23 Regularity of Social Welfare Payments

**23.1** The Department of Social Protection (the Department) is required to ensure that 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.

**23.2** Welfare payments in excess of claimants' entitlements may arise due to fraud, claimant error or departmental/administrative error. Where excess payments arise, the Department's objective is to promptly identify the excess payment and adjust the payment level accordingly. Where a deciding officer determines that an overpayment has arisen, the Department seeks to recover the overpayment from the claimant. The overall level of excess payments across welfare schemes must be distinguished from the level of detected excess payments and from recorded overpayments that are targeted for recovery (see Figure 23.1).

**Figure 23.1 Managing and Measuring Excess Welfare Payments**



## Fraud and Error Surveys

- 23.3** The main factors identified as leading to excess payments are
- **fraud** — where the claimant intentionally provides incomplete or inaccurate information in order to receive benefits
  - **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 and its staff.
- 23.4** Surveys based on comprehensive reviews of randomly selected samples of cases provide a potential means for the Department to estimate the overall incidence of excess payment occurring in welfare schemes. The results of the surveys also potentially serve as a means of assessing the effectiveness of review activity, by providing a basis for evaluating the rate of detection by the Department of excess payments.
- 23.5** The Department conducts periodic surveys in order to target its control activity on the schemes and beneficiaries where the risk of unwarranted payments is highest. In June 2012, the Department published the results of three recent irregular payment surveys which focused on Jobseekers Benefit, Disability Allowance and One Parent Family payments.<sup>1</sup>
- 23.6** The Department had carried out previous surveys on each of the schemes, but an additional element was included in the latest surveys. This involved estimation of the net financial loss to the Department, whereby a claimant who is in receipt of an excess payment on a particular scheme may be eligible for a payment under another scheme, or may become an adult dependent of another claimant. In order to calculate the net financial loss, the survey methodology used was as follows.
- As in previous surveys, a random sample of cases was examined to review entitlement to payment. The level of irregular payment was calculated as the value of the excess payments as a proportion of the total payments to the sample cases.
  - Cases where excess payments were identified were re-examined later in order to ascertain whether the claimant (whose payment had been reduced or terminated) was then in receipt of a welfare payment. Such cases would arise where the claimant had appealed the decision to terminate or reduce the welfare payment and the appeal had been granted, or because the claimant is found to be entitled to claim under a different scheme either in their own right or as an adult dependent.
  - The net loss to the Department is calculated as the initial excess payment identified less any welfare payments the claimant is currently claiming.
- 23.7** Previous surveys categorised excess payments as being due to fraud, customer error or departmental/administrative error. In the 2012 survey of Disability Allowance cases, the Department categorised excess payments as being due to fraud, customer/departmental error or medical ineligibility. The Department considers that a change in medical opinion as to the client's eligibility does not constitute either an error or a fraud.

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<sup>1</sup> Because the results of the 2012 surveys only became available in June 2012, it was not possible to audit the survey process before completion of this report. The surveys will be audited against relevant criteria and the results will be reported in due course.

- 23.8** A key requirement for reliable estimation of excess payments based on random selection of review cases is that all eligibility criteria are fully tested. In the case of Disability Allowance, this includes review of eligibility under the scheme's medical criteria. In the nature of some illnesses, the patient's medical condition can change over time. Treatment regimes may also change, resulting in improvements in some patients' ability, including in their capacity to work. Irrespective of the history of the case, a determination of current ineligibility for ongoing welfare payments because medical conditions are not met now means that the payment is in excess of entitlement.

### Survey Results

- 23.9** The results of the three most recent surveys are set out in Figure 23.2.
- 23.10** Where One Parent Family and Disability Allowance payments were terminated as a result of the fraud and error surveys, between 75% and 85% of claimants subsequently commenced claiming under different schemes, transferred to their partner's claim or were re-instated following appeal or the submission of a new claim. By comparison, just over one third of stopped Jobseeker Benefit claimants were receiving payments under a different scheme when re-examined.
- 23.11** It was noted that the overall level of irregular payment reported in the 2012 survey of One Parent Family Payment cases (7.1%) was similar to the result in the previous 2007 survey (7.3%).
- 23.12** The 2012 review of Disability Allowance identified an overall level of irregular payment of 18.4% — 3.1% as a result of fraud and error and 15.3% as a result of medical ineligibility. The level of medical ineligibility for Disability Allowance may have implications for the optimum level and timing of medical review of cases.
- 23.13** The Department has stated that its response to medical ineligibility issues will be different to the response to other survey findings.

**Figure 23.2 Estimated value of Irregular Welfare Payments (selected schemes) - 2012 surveys**

	Percentage of scheme payment		
	Value of irregular payments	Value of reinstated or transferred claims	Net loss
<b>Jobseekers Benefit</b>	<b>2.5%</b>	<b>0.9%</b>	<b>1.6%</b>
<i>Of which, due to</i>			
<i>Fraud</i>	0.1%	—	0.1%
<i>Error</i>	2.4%	0.9%	1.5%
<b>One Parent Family Payment</b>	<b>7.1%</b>	<b>4.4%</b>	<b>2.7%</b>
<i>Of which, due to</i>			
<i>Fraud</i>	6.7%	4.4%	2.3%
<i>Error</i>	0.4%	—	0.4%
<b>Disability Allowance</b>	<b>18.4%</b>	<b>14.3%</b>	<b>4.1%</b>
<i>Of which, due to</i>			
<i>Fraud</i>	2.1%	0.9%	1.2%
<i>Error</i>	1.0%	0.1%	0.9%
<i>Medical ineligibility</i>	15.3%	13.3%	2.0%

Source: Department of Social Protection survey results, June 2012 (unaudited)

## Overall Level of Irregular Payment

- 23.14** The results of the surveys carried out in the past by the Department indicated that there was a significant problem of excess, and therefore irregular, payment in relation to many of the major welfare payment schemes it operates. While the scale of the problem is evidently greater for Vote-funded schemes, the estimated level of irregular payments under the social insurance funded schemes is also material. Figure 23.3 presents an estimate of the scale of irregular welfare payments in 2011, incorporating the latest survey results.

**Figure 23.3 Estimated Irregular Payments in Welfare Entitlements, by Scheme and Source of Funds**

	Year of survey <sup>a</sup>	Scheme cost 2011 €m	Irregular payment level for scheme %	
<b>Vote-funded schemes</b>				
Child Benefit	2004	2,076	1.8	
Family Income Supplement	2005	205	3.3	
State Pension (non-contributory)	2007	972	2.1	
Jobseekers Allowance	2009	2,975	4.1	
Disability Allowance	2010	1,089	18.4	(net cost 4.1%)
One-Parent Family Payment	2011	1,089	7.1	(net cost 2.7%)
<b>Social Insurance Fund schemes</b>				
Illness Benefit	2006	876	0.4	
State Pension (Contributory/Transition)	2009	3,755	1.1	
Jobseekers Benefit	2011	927	2.5	(net cost 1.6%)

Source: Department of Social Protection fraud and error surveys

Note: a Base year for survey.

- 23.15** The level of irregular scheme payments varies widely between Vote-funded schemes. The materiality of the problem across un-surveyed Vote-funded schemes, many of which are means-tested, is not known.
- 23.16** Some major expenditure schemes have not been subject to this kind of survey, and the latest survey results in relation to some schemes go back to 2004 and 2005. In light of the significant levels of scheme expenditure, the absence of fraud and error surveys in those schemes is a cause of concern.
- Expenditure on Supplementary Welfare Allowance was just under €1 billion in 2011. A partial survey of Rent Supplement cases, initiated by the Department's Control Division, was conducted by the Health Service Executive in 2007. The Department's current fraud initiative does not include plans for a survey of Supplementary Welfare Allowance.<sup>2</sup>
  - Surveys have not been conducted in relation to carers' payment, widow/er contributory pensions and invalidity pensions. Expenditure on these three schemes amounted to €2.5 billion in 2011. It is noted that the Department's planned schedule up to 2016 provides for fraud and error surveys on these schemes.

<sup>2</sup> The Department has stated that it is actively considering the timing of a survey in relation to Supplementary Welfare Allowance.

- 23.17** It is important that the Department carry out fraud and error surveys on an ongoing basis in order to inform itself on the current level of fraud and error in its payments and amend its control regime accordingly.
- 23.18** The Accounting Officer pointed out that the estimated level of irregular payment outlined in Figure 23.3 is based on results in some cases that are between five and eight years old. She stated that the rate of irregular payment is unlikely to have stayed constant during this period. She considers that the process of conducting the surveys would have impacted on control effectiveness in the following years. She added that the Department's approach is to conduct surveys on schemes with high levels of expenditure where the risk is considered higher. The Department is of the opinion that the un-surveyed Vote schemes have a lower level of risk. This is based on managerial knowledge of the schemes and the incidence and value of overpayments on those schemes.

### Detected Overpayments

- 23.19** Where new information relevant to a current claim comes to light, the Department may formally determine that the claimant does not have an entitlement to the amount he/she is currently being paid. This normally results in the payment being terminated or reduced to the appropriate level, with immediate effect. Depending on the circumstances, the Department may also record an overpayment debt for recovery from the individual concerned.<sup>3</sup>
- 23.20** In many cases where payments are reduced or terminated following a review, the Department does not record an overpayment debt. In cases of claimant or departmental error, the deciding officer reviewing the case may determine the effective date of a revised decision to be a current date, rather than a retrospective date, in which case no overpayment arises. In other cases, there may be no effective way of establishing the date the claimant's entitlement changed.
- 23.21** The value of overpayments recorded in a year (whether due to fraud or other factors) is not a reliable measure of the underlying level of irregular payments in that year.
- 23.22** The Department takes the view that the amount of fraud-related overpayments it records is the only reliable measure of excess payments due to fraud. However, recorded overpayments arise only in instances where excess payment is detected and a deciding officer concludes (based on the evidence available) that a claimant was not entitled to a welfare payment for a period of time. Overpayments recorded in a period may also relate to payments made in prior periods of account.

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<sup>3</sup> Where an overpayment debt is recorded, the claimant has a legal obligation to repay the amount to the Department. The obligation to repay arises under Section 335 of the Social Welfare Consolidation Act, 2005. Recovery of recorded overpayments is dealt with in Chapter 22 of this report.

## Implementation of Budget 2012 Changes

- 23.23** The extent of irregular payment is influenced by the entitlement conditions set for schemes, the circumstances of target populations and the process used by the Department to assess claims and to exercise control over ongoing payments.
- 23.24** The Department has experienced some difficulties in implementing changes introduced in Budget 2012 in relation to One Parent Family payments, Farm Assist and Fuel Allowance.

### *Payment Changes*

- 23.25** Up to 2012, a One Parent Family claimant could earn up to €146.50 per week without affecting his/her entitlement. In Budget 2012, this 'disregard' threshold was reduced to €130 per week and over the next four years will reduce further to €60 per week. Above the relevant earnings threshold, entitlement declines as earnings increase, until entitlement ceases entirely.
- 23.26** The calculation of means in relation to Farm Assist is based on gross yearly income less costs necessarily incurred in carrying out the self-employment, less an allowance for each dependent child. A proportion of the balance is assessed as means. From January 2012, deductions allowed in relation to dependent children when calculating assessable income were reduced and the proportion of income assessed as means increased from 70% to 85%.
- 23.27** The Department's computer system records the manually computed assessed means figure and does not capture the individual components making up the earnings or means of a claimant. As a result, the Department could not apply the budget changes across the board using a programmed adjustment.

### *Review of Claims*

- 23.28** The budget changes have been applied to all new One Parent Family and Farm Assist claimants since January 2012, but the changes can only be applied to existing claims through the review of individual cases. The Department is not raising overpayments in respect of amounts overpaid between the introduction of the budget changes and the implementation of those changes, as cases are reviewed. As a result, some clients were paid in excess of their entitlement from 1 January 2012 until the date the case was reviewed and any required changes to rate were implemented.
- 23.29** In relation to One Parent Family
- 42,000 current claimants were identified as having had earnings in 2010, and were issued with review forms. Just under two-thirds of cases had been reviewed by end July 2012, and had their payments terminated or adjusted where required. Reviews of the remaining cases were expected to be completed by the middle of September 2012.
  - A further 5,500 claimants had earnings in 2011. Review forms issued to those claimants in July 2012, and review of those cases is expected to be completed by end September 2012.
  - The Department issued review forms in August 2012 to the remaining One Parent Family claimants (approximately 48,000), some of whom may have recent or undeclared employment earnings. However, most of these cases are not expected to have a change in their means.

- 23.30** The implementation of the budget changes required manual review of approximately 11,000 Farm Assist claims. At the end of July 2012, approximately 80% of these cases had been reviewed.
- 23.31** The Accounting Officer stated that the Department's approach to the implementation of the budget changes for existing claimants has been to prioritise the review of cases where adjustment to payment rates due to budget changes are most likely. However, this review will also result in changes to payment rates for other reasons such as a change in the claimant's means or entitlements since the last review. The Department is unable to provide a breakdown of the changes to payment rates as a result of review between those that were due to budget changes and those that arose for other reasons.

### ***Fuel Allowance***

- 23.32** Fuel allowance is paid to people who are dependent on long-term social welfare and who are unable to provide for their own heating needs. Claimants of means-tested schemes including State Pension, One Parent Family, long-term Jobseekers Allowance and Supplementary Welfare Allowance can claim a fuel allowance of €20 per week for certain weeks each year. Up to 2012, this allowance was paid for 32 weeks but this was reduced to 26 weeks in Budget 2012.
- 23.33** Fuel allowance payments for winter 2011/2012 were due to cease on 6 April 2012. However, due to an error in updating this change on the Department's computer system, about 60,000 Jobseeker claimants were paid for an additional week resulting in an overpayment of €1.2 million.
- 23.34** The Department wrote to the claimants concerned on 21 August 2012 to notify them of this issue and advise them that the overpayment will be recovered by deferring payments by one week when fuel allowance payments recommence in October 2012. The Department is of the view that a high proportion of claimants who were overpaid will still be in payment at that time. Where the overpayment cannot be recovered from future payments in respect of fuel allowance, the Department plans to record the overpayments and seek to recover them by other means.
- 23.35** The Department stated that as a result of this error, it has reviewed and revised its procedures for updating scheme rate details on its payment systems.

## Conclusions and Recommendations

- 23.36** The Department has in the past undertaken fraud and error surveys of randomly selected claims on some welfare schemes. Some major expenditure schemes, for example Supplementary Welfare Allowance, have not been subject to this kind of survey, and the latest survey results in relation to some schemes with high levels of expenditure date back to 2004 and 2005.
- 23.37** In its most recent fraud initiative, the Department has committed to conducting two fraud and error surveys per year.
- 23.38** The Accounting Officer noted that fraud and error surveys primarily provide the Department with an indicator of the estimated risk of the scheme surveyed in order to enable the Department to enhance control procedures and processes across the relevant schemes. She stated that the timing and conduct of the surveys will be reviewed annually and it is recognised that additional or different survey approaches may be required given specific business needs or emerging trends. She added that the timing of a survey in relation to Supplementary Welfare Allowance is being considered as part of a general review of control procedures in relation to that scheme.

**Recommendation 23.1:** The Department should consider adopting an approach which involves the design of scheme fraud and error surveys based on the annual expenditure in individual schemes. For example

- continuously reviewed payments — due to the materiality of expenditure (say, over €1 billion per year) the Department should conduct reviews of a small number of randomly selected claims for Jobseekers Allowance, State pensions, Child Benefit, widow/(er) and guardian payments, Disability Allowance and One Parent Family payments on a continuous basis (without reducing significantly the number of reviews carried out on a targeted basis).
- occasionally reviewed payments — in the cases of other schemes where expenditure is relatively material (e.g. where expenditure is in the range of €500 million to €1 billion a year), surveys should be conducted periodically.
- un-reviewed payments — schemes where annual expenditure is less than €500 million per year would not be reviewed if there are ongoing resource constraints, except in cases where the Department was aware of high levels of risk and/or of significant payments in excess of entitlements.

**Accounting Officer's Response:** Agreed in part. The Department will consider adopting the approach to fraud and error surveys outlined above. However, the value of conducting random reviews on a continuous basis for the material schemes listed will have to be examined. The current methodology for fraud and error surveys is resource intensive.

- 23.39** The results of the Department's surveys to date suggest there is a significant level of irregular scheme payments in relation to Vote-funded schemes. These irregular payments may not always result in an equivalent financial loss to the Department as claimants may be entitled to claim under a different scheme or may be included as an adult dependent with another claimant. However, even when this is taken into account, the residual levels of loss appear to be significant. For example, in the most recent surveys completed in relation to Vote-funded schemes, the Department estimated the net loss due to irregular payments at 2.7% in relation to One Parent Family payments and 4.1% in relation to Disability Allowance.

- 23.40** I have referred in my certificate on the Department's Appropriation Account for 2011 to the level of irregularity, which I consider material in the context of the overall expenditure recorded in the Vote.<sup>4</sup>
- 23.41** In addition to ongoing irregular scheme payments, the Department has had difficulty implementing some budget changes introduced in Budget 2012.
- 23.42** Due to limitations with the Department's current computer systems, changes relating to earnings and means in the assessment of entitlement to One Parent Family and Farm Assist payments can only be implemented for current claims through review of individual cases. As a result, certain claimants received payments in excess of entitlement. The Department is unable to provide an estimate of the level of excess payments that has occurred due to delays in implementing budget changes and it does not plan to seek recovery of those excess payments. Modifications to the Department's computer payment systems are planned to ensure that such changes can, in the future, be implemented from the date the legislation is enacted.
- 23.43** Reductions in fuel allowance were not properly updated to the Department's payment system in respect of certain categories of Jobseeker claimants, resulting in overpayments of some €1.2 million. The Department plans, where possible, to recover these overpayments from the fuel allowance payments due to re-commence in October 2012. Where an overpaid claimant is no longer in payment, the Department plans to record an overpayment and seek to recover it from future welfare payments. In addition, the Department stated that it has strengthened the controls around updating of changes to its computer payment systems.

**Recommendation 23.2:** The Department's computer systems should be adapted to record key data used in decision making on individual claims and have an in-built calculation function capable of processing rate adjustments efficiently, including the generation of explanatory communications to affected claimants.

**Accounting Officer's Response:** Agreed. The Department plans to enhance its computer system so that it can capture and store data in relation to means and earnings as well as issue and capture the results of scanned documents so that, in future, it can implement changes from the effective date of the legislation. This functionality is available in the Department's latest generation of computer systems which are designed to support processes as well as payments. The transfer of schemes from older systems to the newly developed systems is an ongoing process. At the end of August 2012, over one third of the Department's schemes, representing three quarters of the current claimload, had been transferred.

**Recommendation 23.3:** The Department should strengthen its data file control procedures. These controls should ensure that all changes to standing data are authorised and all authorised changes are fully implemented. Such controls could include the formalisation and documentation of system change procedures, authorisation at an appropriate level of all changes to standing data, confirmation of change reports from the Department's computer payment systems, and post implementation testing of changes.

**Accounting Officer's Response:** Agreed. The Department has a considerable number of controls around its data file control procedures and monitors the effectiveness of these on an ongoing basis. In light of the recommendation above, the Department will review and strengthen them appropriately.

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<sup>4</sup> Under section 3(5) of the Comptroller and Auditor General (Amendment) Act 1993, an audit certificate on an appropriation account must refer to any material case in which a Department has failed to apply expenditure recorded in the account for the purpose or purposes for which the appropriations made by the Oireachtas were intended, or transactions recorded in the account do not conform to the authority under which they purport to have been carried out.