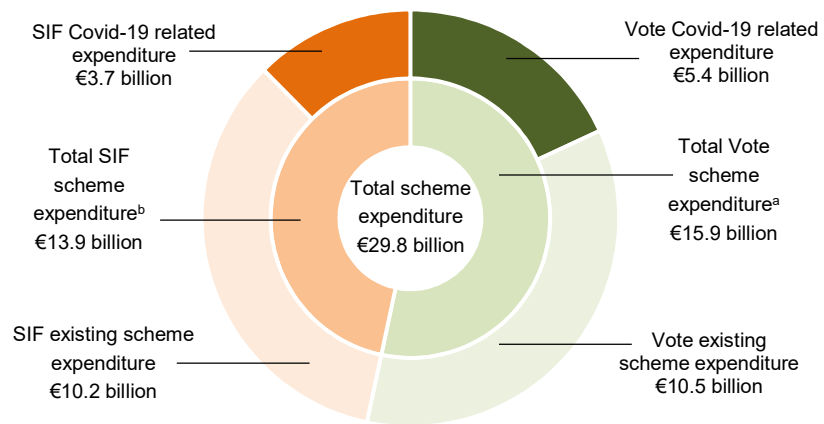


9 Regularity of social welfare payments

- 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** Any payments in excess of claimants' entitlements under the terms of welfare schemes are, accordingly, irregular. Such excess payments can arise due to fraud, claimant error or official error (see Annex 9A).
- 9.3** The level of expenditure incurred each year by the Department means that even a small incidence of error and suspected fraud can result in a large monetary loss to the Exchequer, which funds Vote 37 Social Protection, or to the Social Insurance Fund (SIF), which is funded by social insurance contribution receipts.
- 9.4** From 2013 to 2019, the Department incurred expenditure of approximately €20 billion each year, under about 80 schemes and programmes. During 2020, the response to the Covid-19 pandemic had very significant impacts on the Department's operations.
- **Introduction of emergency schemes:** The Department funded expenditure totalling €9.1 billion in 2020 in relation to four new schemes introduced to provide supports to individuals whose income was adversely affected by restrictions imposed to reduce the impacts of the pandemic. Two of the schemes — the pandemic unemployment payment (PUP) and enhanced illness benefit (EIB) — were implemented by the Department. Two other schemes — the temporary wage subsidy scheme (TWSS) and the employee wage subsidy scheme (EWSS) — were administered by the Revenue Commissioners (Revenue), but were funded by the Department.¹
 - **Suspension of certain scheme controls:** The Department's compliance and anti-fraud strategy covering the period 2019 to 2023 includes a comprehensive set of controls and measures aimed at preventing, deterring and detecting fraud and error. Implementation of the Department's control regime for existing schemes was affected by operational restrictions imposed during 2020 due to Covid-19.
- 9.5** In 2020, the Department's gross expenditure totalled €31.3 billion, of which €757 million related to administration expenses and €717 million that was paid to the National Training Fund. A breakdown of scheme expenditure is provided in Figure 9.1.

¹ Revenue has administrative (including compliance) responsibility for the TWSS and EWSS. Accordingly, the application of controls for those schemes is a matter for Revenue.

Figure 9.1 Vote and SIF scheme expenditure in 2020

Source: Department of Social Protection

Notes: a Departmental administration expenses have been excluded.
 b Payments from the SIF to the National Training Fund have been excluded as these are amounts collected on behalf of the Department of Education to 21 October 2020 and thereafter on behalf of the Department of Further and Higher Education, Research, Innovation and Science.

- 9.6** A large proportion of the Covid-related supports in 2020 were accounted for by the PUP scheme and the TWSS. An examination of a sample of PUP claims provides an indication that the level of irregular payment for that scheme in 2020 is likely to have been material. Findings in that regard are presented in chapter 11. As at the end of July 2021, subsidies totalling €311 million, 11% of the TWSS total outlay, had been identified by Revenue as repayable, of which €18 million was outstanding for recovery. Findings in that regard are presented in chapter 12.

Control surveys

- 9.7** The Department's compliance and anti-fraud strategy includes undertaking surveys of scheme payments in order to determine the level of excess payment that is occurring. This is a key measure of the Department's success in preventing, detecting and deterring fraud and error in its scheme payments. The surveys also assist the Department in identifying scheme-specific risks and required changes to the control measures in place.
- 9.8** 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.

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 at a point in time. The surveys typically capture

- the **gross excess payment** which is the total value of overpayment identified
- the **net excess payment** which adjusts for transfers to other schemes in situations 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 social protection payment.

The Department considers the net excess payment identified to be the more accurate measure of the level of excess payment on schemes.

- 9.9** Control surveys have not been undertaken in relation to some existing schemes or in relation to the new Covid-related schemes implemented in 2020.¹ Nevertheless, the majority of the Department's scheme expenditure in 2020 was on schemes that have been covered by control surveys in recent years (see Figure 9.2).

Figure 9.2 Coverage of control surveys^a, expressed as a percentage of overall expenditure in 2020

Source of funding	As % of expenditure on existing schemes	As % of total scheme expenditure (including on Covid schemes)
Vote	84%	56%
SIF	90%	66%
Total	87%	61%

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

Note: a Coverage provided by control surveys published since January 2012.

Implications of control surveys for audits

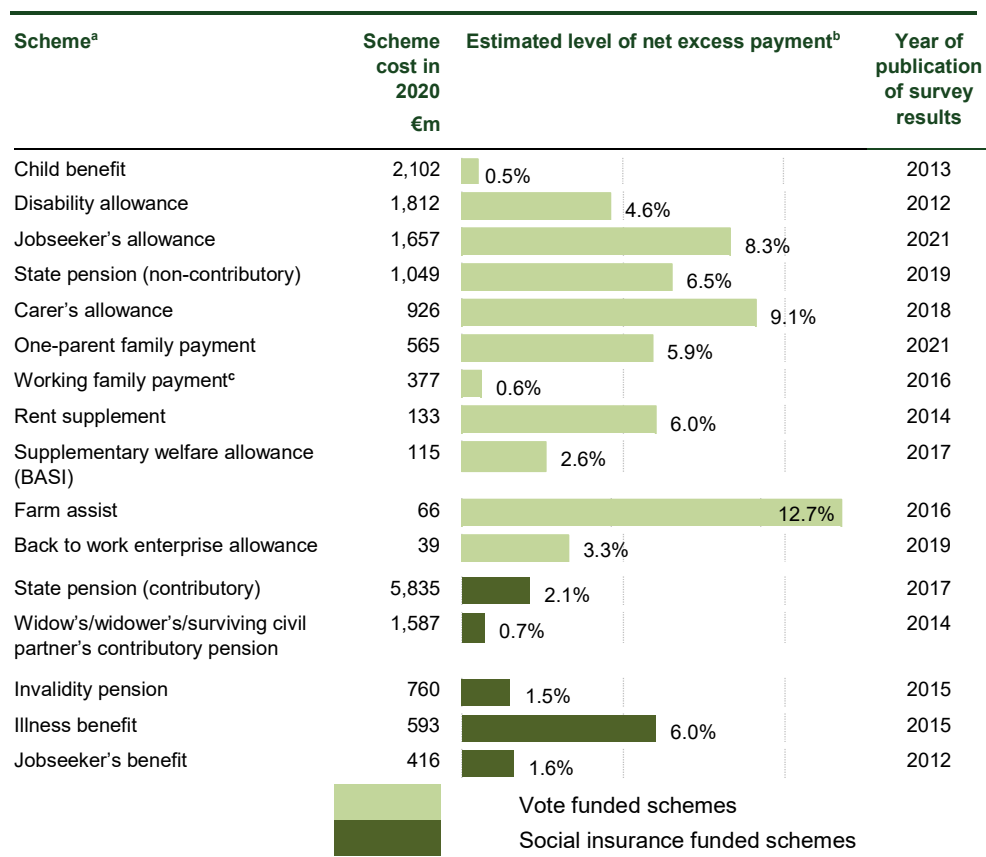
- 9.10** Figure 9.3 shows the expenditure in 2020 on Vote and SIF schemes in respect of which control surveys have been undertaken (at least once) since 2012 and the level of irregular payment identified. There is wide variation in the level of excess payments found by surveys.

- In relation to Vote funded schemes, 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).
- There is also wide variation in the level of excess payment in the SIF schemes surveyed. Estimated rates of net excess payments for these schemes range from 0.7% (Widow's/widower's/surviving civil partner's contributory pension) to 6% (illness benefit).

¹ The Department has stated that as the PUP scheme is now being wound down, a control survey of the PUP scheme would be of limited use in relation to the amendment of scheme controls.

9.11 The level of irregular payments found by the Department's control surveys is material. Accordingly, I have referred in my audit reports on the 2020 appropriation account for Vote 37 Social Protection and on the 2020 financial statements of the SIF to the material level of irregularity of scheme payments.

Figure 9.3 Estimated level of irregular payments in schemes subject to control surveys published between 2012 and 2021



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

- Notes:
- 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.
 - Net excess payment is the value of all excess payments identified less transfers to other schemes. The figures shown are the net excess payments identified in control surveys as a percentage of the total value of payments of income support included in the survey cases.
 - Previously known as the family income supplement.

Control surveys recently published

Jobseeker's allowance

- 9.12** In January 2021, the Department published the results of a control survey of the jobseeker's allowance scheme. The survey examined 900 claims in payment in 2019 in two batches — 602 claims in April 2019 and 298 claims in September 2019. This is the first 'rolling' survey the Department has published — the Department stated that in future years, batches of claims will be surveyed quarterly.
- 9.13** The control survey found the gross excess payment level to be 8.6% of expenditure on the sampled cases.¹ Payments in excess of entitlement were identified in 17.1% of the claims surveyed. Transfers to other schemes of 0.3% of scheme expenditure resulted in a net excess payment level of 8.3%.²
- 9.14** The control survey also found that in a further 2.3% of claims examined, an underpayment was identified (to the combined value of 0.4% of expenditure on the sampled cases).
- 9.15** The level of net excess payment detected by the survey is high at 8.3%. The Department has outlined a number of steps that it plans to take in order to address the key scheme risks identified as part of the survey and to improve the controls over jobseeker's allowance (see Figure 9.4).

Figure 9.4 Jobseeker's allowance — control survey findings and control changes

Scheme risk	Proposed changes to control regime
Claimant not informing the Department of change in means	Implement a maximum interval of three years between reviews for claimants with means and five years for claimants with no declared means. Run an awareness campaign to remind claimants to advise the Department when their means change.
Increased risk associated with longer duration claims paid via EFT	Utilisation of the Department's Special Investigations Unit to target high risk sectors, non-residency, and concurrent working while claiming support.
Higher risk of overpayment where claim includes casual employment	Exploring the use of data analytics techniques to identify higher-risk casual jobseekers (around 2,000 cases were selected in early 2020, of which 300 cases resulted in savings to the Department).
Claimant declaration where married/co-habiting and/or having dependents	Exploring the use of data analytics techniques to improve detection rates across schemes.

Source: Department of Social Protection

¹ The main causes of excess payments were incorrect customer means (3.9% of scheme expenditure), a failure by the customer to provide the required information (2.4% of scheme expenditure) and a failure to meet eligibility criteria (2.1% of scheme expenditure).

² The previous control survey of jobseeker's allowance, published in 2014, identified a net excess payment level of 3.5%. The Department has stated that the 2014 control survey is not comparable to the most recent survey due to differences in methodological approach when the surveys were conducted.

One-parent family payment

- 9.16** Also in January 2021, the Department published the results of a control survey of the one-parent family payment. The survey examined 600 claims in payment in August 2019.
- 9.17** The control survey found there was excess payment in 21% of the claims surveyed. The estimated gross and net excess payment level was 5.9% of expenditure on the sampled cases.^{1,2}
- 9.18** The control survey found that in a further 15.5% of claims examined, an underpayment was identified (1.3% of expenditure on the sampled cases).
- 9.19** The scheme risks and the proposed changes to the control regime arising from the survey are set out in Figure 9.5.

Figure 9.5 One parent family allowance — control survey findings and control changes

Scheme risk	Proposed changes to control regime
Claimant not informing the Department of change in means	A review of the survey findings was conducted by the relevant operational and policy managers — the review included consideration of changes to scheme rules. Following the review of the survey findings, the Department have no plans to change the rules or policies.
Misinterpretation of scheme rules by staff	Guidance was re-issued to deciding officers and social welfare inspectors to ensure correct application of scheme rules.
For claimants aged 25 years and higher, the risk of co-habiting was higher	A review of policy in relation to the frequency of claim reviews will be carried out. Provision of models by the business analytics unit to assist in the selection of cases for review.

Source: Department of Social Protection

- 9.20** The re-issuing of guidance to deciding officers to address the risk of misinterpretation of scheme rules by the Department's staff is unlikely to significantly improve controls — only 0.5% of the 5.9% of irregular payments detected resulted from official error. In respect of the risk of co-habiting for claimants aged 25 years and over, the work of the business analytics unit is likely to assist in the risk-assessment of cases selected for review.

1 The main causes of excess payments were a failure to meet eligibility criteria (2.4% of scheme expenditure), incorrect customer means (1.9% of scheme expenditure), and a failure by the customer to provide the required information (1% of scheme expenditure).

2 The previous control survey of the one-parent family payment scheme, published in 2012, found a net excess payment level of 2.7%. The Department has stated that the results of the 2012 and 2019 control surveys are not comparable due to differences in methodological approach.

Impact of Covid-19 on scheme controls in the Department

- 9.21** The estimated level of irregular payment found by a control survey is measured when the Department's control activities are operating as normal. Covid-19 impacted the Department's ability to operate some of its normal controls over its schemes when processing new applications and to conduct other control activities for claims in payment. The Department has stated that, during 2020
- the impact of public health restrictions necessitated widespread redeployment of staff to other priority work
 - restrictions on personal movement and interactions had an extraordinary impact on the labour market leading to an unprecedented increase in unemployment
 - managers of scheme areas, in conjunction with the Assistant Secretary responsible, made decisions in regard to the suspension or curtailment of certain scheme controls having considered the relevant risks, and adhering as best as possible to the health and safety restrictions.
- 9.22** The Department consider that the control regime operated during 2020 minimised the risk of irregular payment and that any of the changes made to key controls were deemed low risk.
- 9.23** Annex 9B summarises the changes made to the key controls over 14 schemes due to Covid-19 restrictions and the actions of the Department to mitigate the impact of the changes and to restore those controls. The examination reviewed the changes made to key controls and assessed the impact of these changes on the estimated level of irregular payment by scheme.
- 9.24** Of fourteen schemes assessed for this examination, none were found to be likely to have a material increase in the level of irregular payments at a scheme level due to the changes made to key controls as a result of Covid-19.

Recovery of overpayments

- 9.25** Where an excess payment is found by the Department, an overpayment may be raised. The recovery of overpayments was suspended in March 2020 and recommenced in June 2020. The Department has confirmed that excess payments identified by the Department in 2020 have all been reviewed and raised as overpayments where appropriate.

Controls over enhanced illness benefit scheme

- 9.26** The enhanced illness benefit scheme is one of the new Covid-19 related schemes introduced in March 2020. This was not included in the examination's review of key controls over existing schemes that changed in 2020. This scheme was available to employees and the self-employed who could not work in the short term due to being Covid-19 positive or being medically certified to self-isolate or restrict their movements. Scheme expenditure in 2020 was €57 million. As part of the audit of the Social Insurance Fund's 2020 financial statements, a review of the enhanced illness benefit scheme was undertaken. The audit found that the required recent PRSI contribution history of claimants was not checked before the claim was put into payment, giving rise to a risk of irregular payment where claimants did not meet the eligibility conditions. The Department has stated that it will conduct an analysis of a number of high-risk customers on EIB, to confirm their eligibility.¹

¹ Eligibility for enhanced illness benefit requires the claimant to have at least one paid qualifying social insurance contribution in the four weeks immediately prior to claiming payment and claims must be supported by a medical certificate from a doctor — payment is generally for a two week duration, with a maximum 10 week payment duration in exceptional circumstances.

Conclusions

Material excess payments

- 9.27** The available evidence points to a material incidence of payments in excess of the entitlements of claimants under many welfare schemes. This has been confirmed by the level of irregular payments found by the Department's most recent control surveys.
- 9.28** The Department made changes to the control regime following the publication early in 2021 of control surveys on the jobseeker's allowance scheme and one-parent family payment. The levels of irregular payment identified on both surveys is high and the Department will need to review the impact of proposed changes to the control environment in order to ensure that the risk of excess payment has been reduced. The proposed changes in relation to the jobseeker's allowance scheme are likely to reduce the level of irregular payment. The changes to the controls of the one-parent family payment are predominantly reliant on the greater use of data analytics.

Impact of Covid-19 restrictions on scheme controls

- 9.29** Covid-19 impacted the Department's ability to operate some of its normal controls over its schemes when processing new applications, or to conduct other control activities for claims in payment. As a result, certain scheme controls were suspended or curtailed for a period. The Department acknowledged that the risk of irregular payment increased as a result, but considered the effect on scheme expenditure to be minimal.
- 9.30** The examination reviewed the changes made in 2020 to the key controls over existing schemes and assessed the impact of these changes on the estimated level of irregular payment for 14 schemes that account for the majority of the Department's normal expenditure. The examination concurred with the Department's assessment that the control changes made were likely not to have had a significant impact on the rate of irregular payments for the schemes.
- 9.31** Many of the changes in the Department's control activity in 2020 due to Covid-19 restrictions are unlikely, at least in the short term, to have significantly increased the level of payments in excess of entitlements. Nevertheless, normal controls should be restored as soon as possible, starting with those in high value schemes.

Excess payments on temporary Covid-19 schemes

- 9.32** An examination of a sample of PUP claims provides an indication that the level of irregular payment for that scheme in 2020 is likely to have been material. Findings in that regard are presented in chapter 11. As at the end of July 2021, subsidies totalling €311 million, 11% of the TWSS total outlay, had been identified by Revenue as repayable, of which €18 million was outstanding for recovery. Findings in that regard are presented in chapter 12.
- 9.33** As part of the audit of the Social Insurance Fund's 2020 financial statements, a review of the enhanced illness benefit scheme was undertaken — expenditure in 2020 was €57 million. The audit found that the required recent PRSI contribution history of claimants was not checked before the claims were put into payment, giving rise to the risk of irregular payment where claimants did not meet the eligibility conditions. The Department has stated that it will conduct an analysis of a number of high-risk customers on EIB, to confirm their eligibility.

Annex 9A

Categorisation of irregular payments:

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.

- **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}

Annex 9B

Figure 9B.1 Covid-related changes to key welfare scheme controls, by scheme

Scheme category/name (2020 expenditure)	Changes to key controls over schemes
Pensions	
State pension contributory (€5.8 billion)	From March 2020 until May 2021, the Department suspended reviews of eligibility for non-resident claimants. About 12% of the 450,000 claimants are non-resident and deemed to be the highest risk group — 4.2% of non-resident claimants had irregular payments in the last control survey of this scheme. Under the Department's control regime, one fifth of non-resident claims were reviewed annually. This equates to approximately 10,000 reviews annually, representing just over 2% of the total claimant population.
Non-contributory State pension (€1 billion)	For claims in payment, 12,000 control reviews were planned for 2020 representing about 13% of the claimant population. Just over half of the planned control reviews were conducted.
Widow's/widower's/surviving civil partner's contributory pension (€1.6 billion)	Due to restrictions on personal movement, claimants aged over 70 were excluded from the continuing eligibility reviews in 2020 — these claimants are not deemed to be in the high risk category — 0.7% of claimants had irregular payments in the last control survey of this scheme. All age cohorts are included in reviews in 2021.
Working age income support	
Jobseeker's allowance (€1.7 billion) Jobseeker's benefit (€0.4 billion)	<p>From mid-March 2020, due to restrictions on personal movement, applicants submitting new claims were not required to be SAFE2 registered (identify verification process) — 10,250 jobseeker's allowance claims and 16,000 jobseeker's benefit claims were awarded in 2020 where the claimant was not seen face-to-face. At end of December 2020, around 4,600 (over 3%) jobseeker's allowance claimants and 6,300 (15%) jobseeker's benefit claimants were not SAFE2 registered — as of end of July 2021, the Department is engaged in having the remaining claimants SAFE2 registered.</p> <p>A normal control is that some claimants in receipt of a payment are asked to sign-on at local offices on a periodic basis: from mid-March 2020, signing-on was suspended, as the likelihood of working while claiming was reduced given the impact Covid-19 had on the labour market.</p> <p>8.3% of jobseeker's allowance payments and 1.6% of jobseeker's benefit payments were irregular in the last control surveys of these schemes — jobseeker's allowance claimants not informing the Department of a change in means was one of the main reasons for irregular payments.</p>
One parent family payment (€565 million)	A key control of this scheme is that all claims are subject to an annual review. No such reviews were conducted in 2020. The most frequent cause of ineligible payment is due to incorrect means — 5.9% of payments were irregular in the last control survey conducted of the scheme.
Maternity benefit (€258 million)	From mid-March 2020, quality control checks to ensure accuracy of processing of new claims were carried out by a lower grade member of staff, at a reduced level and conducted later than normal.

Figure 9B.1 Covid-related changes to key welfare scheme controls, by scheme(continued)

Working age employment support	
Community employment (CE) programme (€341 million)	From mid-March 2020, due to restrictions on personal movement, during lock-down periods, CE participants and supervisors were paid without having to attend their places of work.
Supports for children	
Child benefit (€2.1 billion)	From mid-March 2020, all new claimants were required to submit their application online rather than in-person, which reduced the assurance that the claimant remained resident in the State. Control reviews of 36% of claimants were conducted in 2020, a total of 229,000 control reviews. This was less than the target of circa 50% set in the Department's control regime — 0.5% of claimants had irregular payments in last control survey of this scheme.
Illness, disability and carers	
Disability allowance (€1.8 billion)	In-person medical reviews and means testing were suspended in March 2020 and have not resumed as at end of June 2021. Telephone medical assessments commenced in June 2020 to mitigate the impact of not conducting in-person medical assessments.
Carer's allowance (€926 million) and carer's benefit (€49 million)	Control activities on claims in payment, such as medical reviews and means testing, were suspended in March 2020 and recommenced in June 2020 — 69% of the 6,000 reviews planned for 2020 were conducted. Under the Department's control regime 6.5% of all claimants are reviewed annually.
Illness benefit (€593 million)	There were no in-person medical assessments conducted from March 2020. Telephone assessments commenced in June 2020 — the Department's medical assessors consider telephone assessments to be a robust method of assessment. The rate at which claims reviewed were deemed ineligible fell from 12% in 2019 to less than 6% in 2020. From November 2020 to mid-July 2021, an ineligibility rate of 21% of claims reviewed was detected by telephone assessments.
Other schemes	
Rent supplement (€133 million)	Standard controls over this scheme include checking that the claimant must have been paying rent for six months in the property (to ensure rent was within means) and conducting home visits — these controls were suspended from mid-March 2020 and remain suspended as of end of June 2021.

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

