

## **Chapter 36**

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### **Control Measures at Scheme Level**



## Control Measures at Scheme Level

36.1 Payments to Jobseekers are administered at local offices. Responsibility for control measures relating to those payments rests with the following layers of management.

- Managers of local offices are responsible for the processing and payment of all claims for the schemes they administer.
- Regional Managers have responsibility for the overall control of claims and the implementation of Department policy and procedures throughout the network of local and branch offices<sup>292</sup>. Regional Managers also have responsibility for an inspectorate that investigates and reviews claims.
- The Regional Support Office (RSO) has a designated control support unit, which has responsibility for supporting, examining, monitoring and raising awareness of internal control practices and procedures throughout the regions. It also carries out inspections on the operation of internal controls at local offices.

36.2 The Special Investigation Unit (SIU) carries out a range of control activities including reviewing claims and entitlements, investigating fraud and abuse and carrying out employer inspections.

36.3 Some schemes such as Child Benefit and Disability Allowance are administered at headquarter offices and control units are in place at those offices. In those schemes, control work is focused mainly on targeted review projects.

36.4 Reducing unwarranted recourse to the welfare system involves

- ensuring that all required documentation and proof of eligibility is supplied and checked in order to verify entitlement at the outset of a claim
- checks by management to confirm, on a sample basis, the accuracy and validity of claims in payment.

In addition, risk rating measures can hold out the prospect of reducing the extent and level of unwarranted recourse to the welfare system.

### Chapter Focus

The chapter reports the results of a review of

- the effectiveness of controls to prevent and detect invalid claiming in respect of Jobseekers payments, Invalidity Pension and Disability Allowance
- the Department's progress in implementing a risk rating mechanism.

<sup>292</sup> The Department has 63 branch offices that are affiliated with the Department's 62 local offices. Up to the end of 2010, branch offices did not make decisions in relation to the award of claims or exceptional payments, did not conduct reviews or raise overpayments. There is provision for the expansion of the role of branch offices in 2011 to include decisions to put some categories of Jobseekers Benefit claims in payment.

## Controls at Application Stage

36.5 The audit reviewed take on controls at

- local offices in Cork and Tallaght in respect of Jobseekers Benefit and Jobseekers Allowance
- the scheme headquarter offices for Invalidity Pension and Disability Allowance.

### ***Jobseekers Benefit***

36.6 When an application for Jobseekers Benefit is being processed, the claimant must have paid sufficient PRSI contributions. Fundamental entitlement provisions involve proof of identity and residence as well as evidence of unemployment and of the claimant's efforts to seek employment.

36.7 In relation to proof of identity, historically the Department required primary identification documentation in the form of a passport or birth certificate, with supporting documentation such as a driving licence or bankbook.

36.8 These requirements were relaxed in December 2008 and a customer's identity could be confirmed in any of the following ways

- by providing a passport or driving licence
- where the claimant is personally known to the person accepting the claim
- where the claimant has supplied photographic identification in the past
- where the claimant provides other documentation including bank cards, medical card, work identification card, club membership card or similar identification and this can be validated by reference to information already held on the Department's systems.

36.9 Proof of address is required in instances where a claimant is new or although registered with the Department has changed address. A variety of documentation is accepted as proof of address, including but not limited to, recent correspondence<sup>293</sup> from utility companies, banks, other State organisations, rent books or any form of evidence considered by the Deciding Officer to be appropriate in the circumstances.

36.10 Historically, the claimant had to provide proof of unemployment, such as a Form P45 or a letter from an employer stating that the employee has stopped working and giving the reason. The requirements changed in February 2009. The revised guidelines stated that where there was a doubt that the claimant was unemployed, evidence of unemployment should be sought but this was expected to arise only rarely.

36.11 Other than in exceptional cases, the claimant must not be in receipt of payments under another welfare scheme and the Department must be satisfied that the claimant is genuinely seeking work. Evidence of seeking work would include copies of job applications and interviews with claimants to ascertain efforts to obtain employment.

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<sup>293</sup> A recent document is one issued within the preceding two months.

36.12 The audit sought to examine the extent of evidencing of these qualifying conditions and checks in a sample of 50 cases<sup>294</sup>. For the cases examined the audit found that

- Proof of identity which complied with the revised procedures introduced in December 2008, had been provided. The proof of address requirement was satisfied in all cases.
- In five cases, where a P45 form was deemed necessary, this had not been received. In those instances, the claims were put into payment pending the receipt of the required documentation. The Department accepts that not all cases were followed up in 2010 and stated that staff are now complying with the procedure and, in addition, a monthly computer extract is used to ensure that all cases pending a P45 or letter from the employer are followed up.
- In both Cork and Tallaght, audit staff were assured that checks were conducted on a regular basis to ensure that claimants were genuinely seeking employment. However, no evidence in this regard could be located on the file in relation to 52% of claimants — 26 of the 50 examined. The remaining claimants had provided evidence such as copies of job applications and/or replies from employers. While the system provides for the issue of questionnaires to claimants at predefined intervals in order to obtain information in relation to the claimant's effort to obtain employment, there was no evidence that this had operated in the sample examined.

36.13 The Department stated that

- In Tallaght, where evidence of genuinely seeking employment could not be located for 17 of the claimants, the number of reviews at predefined intervals has been substantially increased in 2011.
- In Cork, it was accepted that current evidence of genuinely seeking employment could not be located in nine cases.

### ***Jobseekers Allowance***

36.14 When an application for Jobseekers Allowance is being processed, the same evidence and checks as for Jobseekers Benefit apply, with the exception of those relating to payment of PRSI contributions. In addition, the claimant must satisfy habitual residency conditions and must undergo a means assessment.

36.15 Individuals claiming Jobseekers Allowance come from a variety of previous situations. They may have just completed their education, returned from abroad, have been in employment but do not have sufficient contributions to claim Jobseekers Benefit or were previously self employed. Consequently, proof of the fact that they are not employed is provided by a variety of sources.

36.16 The audit examined the application of the Department's procedures in a sample of 50 cases<sup>295</sup>.

36.17 58% of files included evidence that claimants had attended FÁS courses, had meetings with FÁS facilitators or provided documentary evidence of job applications. In the remaining 42% of files examined, evidence could not be located on file in relation to checks that the applicant was genuinely seeking employment. As with Jobseekers Benefit, the local office's personnel stated that such checks were being conducted but no evidence was retained on file.

<sup>294</sup> 43 of these cases went into payment in 2010 and 7 in 2009. One file was not available for audit.

<sup>295</sup> 19 of these cases went into payment in 2010, 13 in 2009 and 18 predated 2009.

36.18 In 47 of the 50 cases examined, the file contained evidence that the claimant had provided a P45, a letter from a former employer or other evidence regarding the claimant's recent employment history. In the remaining three cases, no evidence could be located on the file. As with claims for Jobseekers Benefit these claims were put in payment pending subsequent receipt of required documentation. However, no follow up procedures appeared to be taken to ensure that this occurred.

36.19 In one case, the required proof of address had not been provided where the circumstances would have required it. Evidence that compliance with the habitual residency condition was checked (in cases required) would show that the applicant's residence, nature and pattern of employment and future intentions had been considered. These were not evidenced in one of the 17 cases where it was required. Departmental staff acknowledged that this requirement had been overlooked in this instance.

36.20 Claimants' means had been incorrectly assessed in two cases. This occurred for the following reasons

- One claimant whose claim had been put into payment had not had a means test. This occurred as Departmental staff had misinterpreted the results of a previous means test as being satisfactory, when in that instance, the claim had been rejected on the basis of inadequately documented means.
- In the other case, the means test relied on related to a different claimant. Had the correct means test been used, the claimant would have received a lower payment.

36.21 In examining the files, it was also noted in two cases that an existing overpayment had not been pursued either prior to the award of a claim or when the claim went into payment.

### ***Disability Allowance***

36.22 Disability Allowance is a weekly allowance for those with a disability and aged between 16 and 66. The disability must be expected to last at least one year. When an application for Disability Allowance is being processed, the following controls are applied.

- Evidence supporting eligibility on medical grounds must be provided by the claimant's GP and each case is reviewed by the Department's Medical Assessor who issues an opinion – decisions are made by Deciding Officers based on those opinions.
- The claimant must undergo a means test.
- The claimant must provide evidence of age and must be in compliance with the habitual residency conditions.

36.23 The audit sought to examine the application of these conditions in a sample of 30 cases.

- One file could not be located and two files were not available for inspection as they were in use for other Department work.
- In six cases, the claims examined had been put into payment by the HSE prior to the transfer of responsibility for this scheme to the Department in 1996. The need to review entitlement in approximately 35,000 such cases had previously been highlighted by Internal Audit in 2008. Such a review would consider entitlement on the basis of medical and means criteria.
- In the remaining 21 cases reviewed, take on controls appeared to be operating as required.

36.24 In relation to the 35,000 Disability Allowance claims put into payment by the HSE prior to the transfer of responsibility for this scheme to the Department in 1996, the Accounting Officer stated that 9,400 cases still in payment have yet to be reviewed for means purposes and 11,900 have yet to be medically reviewed.

36.25 She stated that a review of this number of claims would be very resource intensive and as the relative risk of this group of claimants is not established, it is planned to review (medical and means) a sample of 100 of these claims in the near future. The outcome of this sample will assist the scheme area to assess the relative risk and appropriately prioritise the reviewing of this cohort in the context of finite resources.

### ***Invalidity Pension***

36.26 Invalidity Pension is a payment to persons who are permanently incapable of work because of illness or incapacity and who satisfy PRSI contribution conditions. When an application for Invalidity Pension is being processed, in addition to proof of identity, the Department must satisfy itself as to the sufficiency of contributions paid by the claimant and medical evidence must be provided indicating the claimant's permanent incapacity for work.

36.27 The audit examined the application of these conditions in a sample of 30 cases and found that, in general, take on controls were operating satisfactorily.

### **Conclusion – Controls at Application Stage**

Audit work noted some shortcomings in the application of take on controls for both Jobseekers Benefit and Jobseekers Allowance. While these deficiencies in the evidential requirements would not necessarily lead to overpayments, the level of the shortcomings point to an increased risk arising out of incomplete validation. This would suggest a need to review claims at local office level as the claimload stabilises.

In a large number of Disability Allowance cases, the HSE had in the first instance decided on eligibility. Responsibility for this scheme transferred to the Department in 1996, but in many cases the Department had not conducted its own independent review of eligibility. The Department, in response to audit enquiries, stated that it plans to review a sample of 100 claims to assess the relative risk posed by this cohort.

The control system as currently constituted provides for the review of Jobseekers claims within specified time periods. Prioritising the review of cases where take on controls were not fully implemented by having identifying markers on the system and setting review intervals for this type of case should be considered.

### **Management Controls**

36.28 The computerised system that is used to process payments in respect of Jobseekers payments and Invalidity Pension and Disability Allowance has a logging and auditing capability. This allows amendments to claims to be recorded to a separate file for later retrieval as required. The review of this data facilitates control at two levels. It allows the Department to verify transactions and to ensure a level of user accountability. The application of this control takes the form of

- a management audit designed to review 1% of the claimload
- a daily verification procedure which examines a proportion of daily transactions.

36.29 The audit sought to review the operation of those checks at two local offices in the Southern Region (Cork) and the Dublin South Region (Tallaght), and at the scheme head offices for Invalidity Pension and Disability Allowance.

### **Management Audit**

36.30 Checks of the 1% sample of claims which is computer selected are designed to ensure, among other things, that the authorised rate of payment is correct, that transactions on the claim are in order, that date of birth and identity have been verified and that claim review dates are being observed.

36.31 In March 2009, the Department eased the requirement to carry out these audits from a monthly basis to a bi-monthly basis.

36.32 This control had not been operated at Cork local office during most of 2010 and in Tallaght the audit findings would suggest that 95% of the lists produced for management checks were not subsequently reviewed. The control does not apply in scheme headquarter offices<sup>296</sup>.

### **Daily Verification Procedures**

36.33 Daily verification procedures are designed to verify the validity of transactions input to the Department's system and the procedure is that, the IT system randomly selects a sample of daily transactions for verification on the following day. The sample is designed to include some work completed by every system user each day. Changes made in the course of transaction processing are then independently verified against source documentation. The follow up procedures include

- referring the matter to a supervisor or manager in instances where a discrepancy arises
- the generation of exception reports in respect of unresolved items which are escalated ultimately to the relevant regional office.

36.34 The control had not been operated at Cork local office during most of 2010, only being re-instated in November of that year.

36.35 The control was being operated satisfactorily at Tallaght local office and in the Disability Allowance and Invalidity Pension scheme areas.

### **System Generated Reviews**

36.36 An additional control provides for the automatic review, by local offices, of all claims in payment for seven months or more. The review is designed to check continuing entitlement to payments in respect of individual claimants. This requirement was relaxed in July 2009 to facilitate processing the large volume of claims then being made. The control was reintroduced in January 2010.

36.37 However, during the audit at Tallaght, in February 2011, my staff were informed that while large numbers of cases were being selected for review on a weekly basis only a small proportion — around 5% of cases were examined.

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<sup>296</sup> These areas have a dedicated control unit that checks samples of cases in payment.

## **Conclusion – Management Controls**

Management checks and daily verification checks are fundamental elements of a controlled processing system.

The management controls were not fully operated in respect of Jobseekers payments during 2010 even at the reduced levels that were permitted from March 2009 onwards.

The daily verification procedures had not been operated at the Cork local office for most of 2010.

In the absence of these controls, the Department's exposure to incorrect or invalid payments being made and remaining undetected is substantially increased.

There is a need to reintroduce these checks where they have lapsed and ensure they are fully implemented.

System generated reviews are an important control to prompt the Department to review all claims after an interval. In the main, these reviews were not being conducted at the Tallaght local office during 2010 in relation to Jobseekers payments.

### ***Views of Accounting Officer***

36.38 The Accounting Officer stated that the Chapter presents evidence of insufficient control which she is concerned about and has instructed her officials to address.

36.39 The Accounting Officer stated that there was a need to consider the shortcomings in control in the context of the significant increases in claimload and stated that the focus on 2010 in this report cannot be considered to be representative of general management of internal control. She also stated that the stabilisation of the claimload in 2011 would facilitate a greater focus on control activity.

36.40 She stated that in August 2011, as part of the Department's focus on control and in meeting the Government's approach of a zero tolerance for fraud, the Department is undertaking eight regional one-day seminars for investigative and control staff. The Department's Deputy Secretary, with the assistance of a number of Assistant Secretaries, will lead the seminars, which will focus on control and transformation.

36.41 She provided the following contextual information in relation to the workload at the Cork and Tallaght local offices, which were reviewed as part of this audit.

36.42 Cork local office had an active claimload of 22,500 to manage. New claim inflows had increased from 600 in 2008 to a peak of 3,000. During the summer of 2009, staff were deployed from the claim maintenance area to the fresh claims area. The Accounting Officer stated that as a result of this pressure, some controls had to be lapsed.

36.43 She added however, that in July 2010 management in Cork sought a control review by the Department's Internal Control Unit. This action was taken after claims backlogs had been successfully targeted by changes in work processes in the claims processing area.

36.44 With regard to the Tallaght local office, the Accounting Officer stated that acknowledged control lapses must be viewed in light of significant increases in workload with only a modest increase in staff. Staff numbers increased by 18% between 2008 and 2010. She stated that

- The number of people on the live register registered at Tallaght local office increased by almost 200% from 4,000 in 2007 to a peak of 11,300 in 2010. This level of increase put considerable pressure across all functions in the local office including control.
- The One-Parent Family Payment claimload administered by the office almost doubled from just over 2,000 in January 2008 to just under 4,000 in January 2010 due mainly to the transfer of these payments from the scheme headquarters in Sligo.
- Due to limited resources, it was necessary to prioritise control measures to areas of greatest risk and in this context, the Accounting Officer instanced a number of control exercises undertaken during 2010 and stated that since September 2010, an Executive Officer has been assigned, on a full-time basis, to manage the control regime in the local office.

## **Risk Rating of Claimant Population**

36.45 The Department has signalled its intention to move to a risk based system of claim processing, which it hopes will achieve better value for money by focusing scarce resources on the most appropriate cases. The basis for focusing review activity lies in assessing two risk elements

- the level of risk inherent in the scheme
- the risk attaching to the claimant as a result of their claim profile.

### ***Scheme Risk***

36.46 In order to position itself to focus its review activity, the Department needs accurate information in relation to the relative levels of risk in each of the schemes it operates. In this regard, in 2003, the Department commenced special fraud and error surveys to provide periodic estimates of the levels of fraud and error in individual schemes.

36.47 The results of fraud and error surveys carried out between 2004 and 2009 are set out at Chapter 35.

36.48 These surveys indicate that the scale of the excess payment problem varies across schemes. The extent of the irregular payment is influenced by the entitlement conditions set for schemes, the circumstances of the target populations and the processes used by the Department to assess claims and to exercise control over ongoing payments. In general, fraud and error is found to be higher for means tested schemes than for benefit schemes.

36.49 No fraud and error surveys were conducted during 2010. Up to date accurate estimates of the level of fraud and error in individual schemes is a key input to any risk rating system. The Department needs to address this matter in order to position itself to do this type of rating work. Chapter 35 outlines the Department's plans in this regard.

### ***Claimant Risk***

36.50 The Department's commitment to attaching a risk rating to individual claimants as part of a new review policy introduced in 2009, has been progressed in the case of Disability Allowance claims in the areas of means and medical grounds. At January 2011, of the 101,000 scheme claimants, 26,130 had been risk rated on means grounds and 15,366 on medical grounds.

36.51 In relation to Invalidity Pension, although risk rating is not used, claimants are categorised according to the planned frequency of medical review. The audit sought to examine the actual reviews conducted by reference to the numbers of claimants in each review category.

36.52 The non-recording of reviews in the first six months of 2010 due to industrial action meant the audit could not conclude fully on the extent to which required medical reviews were conducted. However, data from the final six months in 2010 and the full year for 2009 provides some evidence of the proportion of required reviews that were actually completed.

- 3,982 claimants had been categorised as requiring an annual medical review. In these cases, 926 reviews were conducted in 2009 and 558 in the second half of 2010.
- In 6,284 cases, a medical assessor has recommended a further medical review after two years. In 2009 and 2010 no medical reviews had been conducted in respect of claimants in this category.
- A total of 8,041 claimants have been categorised in a miscellaneous category without a predefined review frequency. No reviews of this category of claimant were conducted in 2009 or 2010.

36.53 The Department stated that in accordance with policy and in the context of finite resources, priority is given to reviewing cases with a one-year referral. It plans to review a sample of claims with a referral date of two years or more or where no category is recorded, with a view to assessing the relative risk and appropriately prioritising the reviewing of this cohort.

36.54 32,599 claimants are deemed not to require further medical review — Do Not Refer Again (DNRA) cases. Categorising a claimant as not requiring any further medical review can lead to significant overpayments. Instances have arisen where it is subsequently discovered that the claimant has in fact been in employment.

- Four of the highest overpayment cases in Invalidity Pension arose in cases classified as not requiring further medical review that were found subsequently to have been working.
- Two of these cases had been in employment for six and nine years, respectively. The claimant who had been in employment for nine years had undergone a medical review in 2002 and was classified as not requiring further review. The resultant overpayment totalled €73,500.

36.55 The Department stated that, in instances where claimants are categorised as not requiring further medical review, it is believed that the risk of the claimant defrauding the system is quite low. Nevertheless, it is accepted that some claimants may choose to work (and not inform the Department) even though their medical condition indicates permanent incapacity, which is unlikely to improve. Consequently, medical status alone may not be the best determination of risk. Other factors will be considered for inclusion in the risk rating system such as age and occupation and it sees the matching of claim details with commencement of employment data as the best control tool for this cohort.

36.56 In addition, in cases categorised as not requiring a further medical review where the claimant is found to have been concurrently working, the Department's current approach is to raise an overpayment and offer the claimant the choice of signing off Invalidity Pension or ceasing to work. If the claimant opts to cease employment and continue to claim Invalidity Pension, a medical review is not required to ascertain incapacity to work. The Department accepts that a medical review should be conducted in instances where the claimant continues to claim Invalidity Pension and plans to put appropriate procedures in place as soon as possible.

36.57 In relation to Invalidity Pension, concurrent working and claiming cases account for 43% of the value of overpayments but only 6% of the number. The average such overpayment is €40,000.

## **Conclusion – Risk Rating**

Risk rating of claims has only been implemented in a limited way. Even where it has been implemented, it has not been followed up by a systematic review process.

The absence of regular fraud and error surveys means that scheme risk is not being accurately measured.

The absence of an assigned medical status in relation to 16% of Invalidity Pension claimants means the Department is not in a position to develop a review frequency for that cohort of the population. No medical reviews were conducted in respect of these claimants in 2009 or 2010.

In the invalidity area, the risk of incorrectly categorising claimants as low risk can be seen in the level of overpayments for some cases so rated.

Consequently, any implementation of a risk rating scheme needs to be comprehensive in the first place so that the rating itself does not give an incorrect signal.

## Conclusion

In recent years, there has been a considerable increase in the Department's claimload, in particular in relation to Jobseekers.

The Department responded to this by introducing revised procedures in relation to take on controls which resulted in less onerous requirements in particular in relation to proof of identity.

Taking account of the revised procedures, an audit of payments to Jobseekers found that take on controls were not being fully operated and ongoing review of cases was not being carried out at prescribed levels.

Management checks and daily verification checks are fundamental elements of a controlled processing system. The management controls were not fully operated in respect of Jobseekers payments during 2010 even at the reduced levels that were permitted from March 2009 onwards. The daily verification procedures had not been operated at the Cork local office for most of 2010. In the absence of these controls, the Department's exposure to incorrect or invalid payments being made and remaining undetected is substantially increased.

The Department has acknowledged these control weaknesses and has signalled its intention to strengthen both take on controls and ongoing review of cases now that the claimload has stabilised.

In order to target control resources on the basis of the risk of fraud and error, the Department has sought to introduce risk rating at both the scheme and claimant level.

Risk rating at scheme level is based on the results of fraud and error surveys and scheme risk assessments. However, both the fraud and error surveys and the scheme risk assessments in respect of the main schemes were completed a number of years ago and may not reflect the changed environment or the application of additional controls since the surveys or risk assessments were completed.

In order to position itself to allocate resources to control activity on the basis of scheme risk, the Department would need to devise a cycle for conducting fraud and error surveys and risk assessments for the main schemes, with a provision to revise the risk assessments more frequently if there were significant changes in the environment.

Risk rating of claims allows the Department to target its control activity within schemes. This type of system would seek to categorise claimants by reference to particular characteristics and devise a control strategy, which allocates the majority of resources at those claimants who present the highest risk.

The Department commenced risk rating in the case of Disability Allowance claimants. To date, only a small proportion of claims have been risk rated and it has not been followed up by the development and operation of a structured review process.

