

Chapter 38

Measuring Review Outcomes

Measuring Review Outcomes

38.1 Once claims are in payment the Department carries out reviews to ensure that that the full amount of the payments to an individual are appropriate. These control activities include

- casework carried out by the Department Inspectorate
- desk reviews carried out at local offices and in sections in the Department
- interviews by Department officials and Inspectors
- medical assessments
- reviews as a result of matching data from other organisations, such as commencement of employment information from Revenue and notification of deaths from the General Register Office.

38.2 Following a control activity the Department reports a monetary savings figure in those cases where invalid claiming is detected. Using this as a measure of the success of control activities would require that

- any savings claimed are demonstrably related to actual control activity
- the measurement of savings is based on a reasonable view of the likely extent of State cash outflows halted by actions following the review activity.

38.3 Savings reported include both overpayments assessed as a result of control activity and the amounts the Department estimates it will save, in the future, as a result of detecting irregular payments. Over the past five years the Department has reported €2.3 billion in savings (€483 million in 2010).

Chapter Focus

From the viewpoint of recoverability and bankable savings, the return from review activities would be maximised in conditions where the greatest amount of overpayments possible was listed for recovery and actually recovered.

This chapter examines the extent to which the savings measure used to report review effectiveness is evidence based.

Savings based on Recorded Overpayments

38.4 During 2010, the Department raised €83 million overpayments related to scheme payments that had been made in excess of entitlement. €8 million of those overpayments related to control activity.

38.5 Recovery of overpayments may occur a number of years after the overpayment is assessed and in a significant number of cases the overpayment is not recovered at all. Chapter 34 outlines the Department's performance in recovering those overpayments that have been raised.

38.6 The Accounting Officer stated that, in principle, all debt as a result of overpayments is recoverable. She stated that since the introduction of a new computer system to manage overpayment debt in 2006, all recorded overpayments will remain recoverable either from future entitlements or from the debtor's estate on their death.

38.7 The Department considers that, over time, the actively recoverable debts will increase as more debt holders begin servicing their debt. The Department noted that where debt holders die without an estate, debts owing are necessarily written off. In 2010, approximately €8.5 million was written off in this way.

38.8 Since the beginning of 2007 the Department has succeeded in recovering around one quarter of all debts that were due.

Conclusion – Savings based on Recorded Overpayments

The Department's current practice is to count all overpayments raised as a result of control activity as bankable savings. Since the beginning of 2007, the Department succeeded in collecting about one quarter of the overpayment debts due. While a larger proportion of debts may be recoverable over the longer term, the Department's current practice of including all of these overpayments arising from control activity as savings is questionable.

Estimated Future Savings

38.9 In order to determine whether the cases reported as future savings were likely to represent bankable amounts the audit reviewed

- whether the savings claimed were consistent with the Department's own rules
- the extent to which claimants removed from payment stayed off welfare for the period used for saving calculation
- the validity of claiming future savings for deceased claimants.

Reported Future Savings

38.10 The Department's policy is that estimated future savings as a result of control activity can be claimed in instances where

- the control activity results in a decision to change the rate of payment and the incorrect rate arose from customer fraud or error that was not reported to the Department by the customer
- the claim has been terminated within four weeks of the control activity and the claimant has not transferred to another scheme
- the claim was in payment at the time of the control activity.

38.11 In order to examine the accuracy of reported savings, the audit reviewed, by reference to the Department's guidelines, a sample of 96 cases where savings were reported. The results of those tests are outlined in Figure 158.

Figure 158 Validity of Future Savings Claimed

Payment Type	Number of Cases Reviewed			Proportion Valid %
	Reported Savings Valid	Reported Savings Invalid	Total	
Child Benefit	19	—	19	100
Illness	19	1	20	95
Pension	18	2	20	90
Jobseekers	12	7	19	63
One Parent Family	10	8	18	56
Total	78	18	96	81

38.12 Overall, it was found that just under one fifth of savings examined were not within the guidelines for reporting savings. Jobseekers and One Parent Family payments accounted for most of the invalid savings claimed. The main reasons were that the savings were claimed where

- there was no evidence of control activity associated with the change in the claim
- the claim was not in payment at the time that the saving was assessed.

38.13 The audit findings, to a large extent, align with the results of reviews conducted by the Department in recent years.

- In the case of Jobseekers, reviews of five local offices in 2008 confirmed that reported savings were valid in between 54% and 96% of cases.
- In 2009 reviews of Jobseekers payments in two local offices, selected randomly, confirmed that reported savings were valid in 94% and 98% of cases respectively.
- In 2010, reviews of Jobseekers payments in two local offices, specifically selected as a result of recognised deficiencies in relation to the correct recording of savings, found that only 8% and 34% of savings reported could be validated.
- A review, conducted in 2008, of a sample of reported savings in relation to One Parent Family payments concluded that the claimed saving in only 43% of cases was valid.
- In relation to Pensions, a review in 2009 of savings reported in respect of Free Schemes confirmed that in 61% of cases, the claiming of a saving was valid.
- A review, in 2008, of Child Benefit savings concluded that it was only valid to claim savings in 48% of the cases.

38.14 In relation to the local office where only 8% of reported Jobseekers savings were valid, the report, while noting the considerable pressure on staff due to increases in the live register, stated that the staff in that local office did not have a good understanding of the conditions that must be satisfied for reporting a valid saving.

38.15 In relation to the Department's reviews of reported control savings, the Accounting Officer stated that following on from the savings validations in local offices in 2008, the Central Control Unit issued revised guidelines to all relevant areas of the Department in 2009. This has been supplemented by

- meetings between staff in Control Unit and staff in local offices in 2010 to re-emphasise the importance of reporting control activity inclusive of control reviews done, reviews with savings, control savings and overpayments
- further training undertaken and planned in 2011

- commencing the development of a webpage which will provide information in relation to recording control savings
- follow up validation in respect of local offices where validation exercises completed show that savings are being incorrectly recorded.

Conclusion – Validity of Savings Claimed

Audit results suggest that 19% of savings claimed did not meet the Department's own rules in relation to countable savings. The Department's own reviews have also reported similar shortcomings.

Measurement of Savings

38.16 The actual calculation of savings involves using a multiplier and applying it to the detected overpaid amount. Multipliers used range from factors of four to 136 and are applied to the weekly or monthly reduction in payment depending on the scheme²⁹⁷.

38.17 The rationale for the use of a multiplier is that it gives a view of the average amount of time that the person who 'signs off' as a result of control activity is likely to remain off the books of the Department which, in turn, is taken as a measure of money saved.

38.18 The Accounting Officer stated that the method used by the Department to calculate savings uses internationally recognised and practiced calculations and is similar to the models used in the UK and Australia.

38.19 However, a number of conceptual difficulties arise in employing a performance measure such as that used by the Department.

- It is the duty of the Department through active control to ensure that invalid claims do not exist in the first place.
- The Department, in times of increasing claimload, sometimes has to relax the level of claim take on controls and management checks (see Chapter 36 – Control Measures at Scheme Level). This increases the risk of overpayments occurring.
- Most businesses view control in a holistic way with post-processing controls akin to the Department reviews, being favoured only in cases where there is a strong likelihood that any unwarranted payments will be recovered – only one quarter of overpayments raised are recovered and a high proportion of cases that are counted as savings are not the subject of any recovery action.

38.20 The fundamental premise underlying the use of a multiplier is that the person who signs off will remain off the system for an average period of time. There are likely to be complex factors impacting on a person's decision to have future recourse to the welfare system, including financial need which is related to the economic condition of the time. Notwithstanding this, and taking the measure at its face value, the audit examined the subsequent history in a number of cases where savings were claimed by reference to the multiplier, to establish how the multiplier used aligned with claim patterns.

²⁹⁷ Different multipliers are used for outright termination and reduction in payment.

38.21 The examination looked at a sample of 498 claimants where savings had been reported in order to determine if they had come back onto the books of the Department or had a reduction reinstated within the multiplier period. For schemes that have a multiplier period of 136 weeks (34 months) the samples were selected from savings claimed in 2008. The results of the reviews are outlined in Figure 159.

Figure 159 Number of Savings Cases that Claimed within the Multiplier Period

Scheme	Multiplier Used	Savings Reported in 2010 €m	Number of Savings Cases Reviewed	Reinstated within the Multiplier Period
Illness	24 weeks	95	100	73
Jobseekers	32 weeks	57	100	60
Child Benefit	34 months	108	100	32
One Parent Family				
- Claim stopped	136 weeks	} 71	19	9
- Reductions	52 weeks		81	53
Pensions	136 weeks	111	98	—
Total		442	498	227

38.22 None of the Pensions cases examined were found to have come back into payment. This is because most of these savings arise in the case of deceased claimants. Overall, excluding pension cases, 46% of cases reviewed had begun claiming or received increased payment within the multiplier period (57% excluding pension cases).

38.23 Taking a view on savings in One Parent Family cases is complicated by the fact that claimants are allowed to work, so long as earnings do not exceed specified thresholds. As a result, reductions in payments, as opposed to ceasing of claims, result from review activity in a large number of cases. Approximately 81% of cases with savings arose as a result of reductions in payment in 2008. Many of the reductions are reversed within a short time as a result of changes in circumstances.

38.24 Illness Benefit and Jobseekers claimants were either reinstated or claimed from another scheme within the multiplier period in about two-thirds of cases. One third of Child Benefit cases were back claiming within the period of the multiplier.

Conclusion – Basis of Savings Measurement

In its savings calculation, the Department estimates future savings – its estimate of the average amount that would otherwise be paid out had the incorrect payment not been detected. This is taken as a measure of the success of its review activity. The audit found that two-thirds of persons whose illness or jobseekers payments were ceased or reduced did not stay off the claimload for the time periods used in savings calculations.

38.25 The Accounting Officer stated that control savings are an estimate of the value of control work since if that work did not take place, social welfare expenditure would increase by at least that level over time.

Savings based on Death Notification

38.26 The Department becomes aware of claimant deaths through notification by the claimant's next of kin or through data matching exercises with information provided by the General Register Office. Control savings are claimed in instances where the termination of the claim was a result of data matching with data supplied by the General Register Office and the death had not been notified by next of kin.

38.27 The Department reports that

- In 2009, it terminated payments in relation to Contributory Pension in respect of 1,362 claimants whose death had not been notified and took action to recover overpayments that had arisen.
- In 2010, savings of €80.3 million were claimed in respect of the termination of about 3,000 pension claims where deaths had not been notified to the Department.

Conclusion – Death Notification

The Department's current procedure is to claim future savings equivalent to 136 weeks of pension payments in respect of deceased pensioners whose deaths have not been notified to the Department and which are detected by the automatic transfer of information from the General Register Office. This appears to assume that in all such cases, an average unrecoverable outlay equivalent to two and a half years pension would occur. Since such electronic processing should now be the norm in public administration it should be seen as a normal administrative control.

Reliability of Management Information

38.28 The Control Division gets returns of the number of reviews conducted and the associated savings being claimed from the areas that are responsible for conducting the reviews.

38.29 The audit found an inadequate trail linking scheme level information with the savings that are centrally collated into control reports.

- The details of payments ceased or reduced submitted by local offices and scheme sections do not include totted and extended listing of savings.
- In disability cases the information supporting the savings claimed consisted only of numerous diaries that noted claimants found capable of work by a medical referee.
- Ultimately, the savings claimed could not be reconciled with calculations made on audit as part of reperformance testing.
- Apparent collation errors in both directions were noted.

Conclusion – Reliability of Management Information

The Department did not carry out a reconciliation of savings included in the Control Reports with the savings recorded by the individual sections and offices.

The information management of the Department needs to be reviewed. If the savings measure is retained, a clear trail should exist between scheme level adjustments to payments and the summarised information at control level.

38.30 In relation to deficiencies in management information about control savings, the Accounting Officer stated that the Department's Central Control Unit has, since the middle of 2011, conducted a quarterly reconciliation of savings included in Control Reports with the savings recorded by individual sections. In addition, the Central Control Unit is examining the development of a new computer system in order to improve the recording of control savings and allow for more detailed reporting by type of review.

Cases Yielding Savings

38.31 An alternative measure of the success of control activity is the proportion of reviews resulting in savings which provides some indication of the Department's success in focusing review activity and addressing the risk of unwarranted recourse to the system. However, in its present form, it is nonetheless a crude indicator, due to shortcomings in the savings calculation methodology and the fact that reviews of different type and intensity are aggregated.

38.32 The numbers of reviews and the proportion that result in savings, as reported by the Department are set out at Figure 160. The main trends emerging are

- The number of reviews of Child Benefit cases increased from 87,900 in 2008 to 514,400 in 2010. A large proportion of these reviews are conducted by way of mailshots to parents to confirm ongoing eligibility.
- When reviews of Child Benefit are excluded, the remaining reviews decreased from 476,500 in 2008 to 415,000 in 2010. A large proportion of the drop is accounted for by a decrease in the number of reviews of Jobseekers and One Parent Family payments, which decreased by 33,100 and 10,100 respectively.
- When reviews of Child Benefit are excluded, the proportion of reviews resulting in savings decreased from 22% in 2008 to 16% in 2010. Including Child Benefit, the reduction was from 19% to 9% over the same period. The largest drop in yielding cases related to reviews of One Parent Family payments where the proportion of reviews resulting in savings fell from 31% in 2008 to 12% in 2010.

Figure 160 Reviews Resulting in Savings by Scheme^a, 2008-2010

Scheme	2008		2009		2010	
	Number of Reviews	Proportion with Savings	Number of Reviews	Proportion with Savings	Number of Reviews	Proportion with Savings
		%		%		%
Jobseekers	167,040	12	141,859	9	133,913	13
Child Benefit	87,850	6	288,050	3	514,429	4
Illness	75,902	14	80,846	16	71,166	17
One Parent Family	64,771	31	72,247	18	54,638	12
Family Income Supplement	28,902	21	24,611	38	25,581	17
Free Schemes	24,223	98	24,529	30	15,797	45
Pensions	15,246	12	10,010	30	12,571	26
Carers	2,790	22	2,948	20	2,374	34
	466,724	19	645,100	11	830,469	9
Savings not calculated ^b	97,630		105,714		98,914	
Total	564,354		750,814		929,383	

Source: Department of Social Protection

Notes: a These results should be read in the light of the caveats in the report about the accuracy of savings and the type of reviews.

b These include Illness Benefit reviews that do not lead to reporting of savings, such as appeals of Medical Referee decisions and desk reviews of illness related schemes.

Conclusion – Cases Yielding Savings

The Department needs to distinguish reviews by type and intensity and ensure that accurate savings are compiled if the yield from reviews is to act as a reliable measure of performance. In response to audit enquiries, the Department stated that it has put a project in place with a view to addressing this.

Conclusion

Following control activity where invalid claiming is detected, the Department reports a performance measure known as 'savings'. This reported saving takes account of both overpayments recorded by the Department and estimates of future savings that are based on the reduction in payments and the amount of time the claimant is expected to remain off the Department's books.

In the case of certain deceased pensioners, where death notification is received from the General Register Office 136 weeks payments are reckoned as savings.

Overall, the Department reported savings of €483 million in 2010 – made up of €38 million in detected overpayments and €445 million in estimated future savings. The audit sought to examine the extent to which these were bankable savings.

Notwithstanding the fact that the rate of recovery of overpayments is relatively low, in calculating control savings, the Department currently includes the total value of overpayments raised as a result of control activity. The Department should develop, based on historic evidence, an estimate of the proportion of overpayments that it expects to recover in order to compute the level of bankable savings arising from overpayments raised as a result of control activity.

Future savings are calculated on the basis of predetermined multipliers for each scheme which estimate the amount of time a claimant is expected to remain off the Department's books. The audit found that two thirds of claimants whose Illness or Jobseekers claims were stopped or reduced had not remained off the Department's books for the time periods used in estimating the savings.

Audit results suggest that about one fifth of savings claimed did not comply with the Department's own rules because some offices are incorrectly claiming savings in instances where the claim had not been terminated or reduced as a result of control activity or the claim was not actually in payment when the saving was assessed.

The audit identified deficiencies in the information systems used to record control savings. In order to address these issues, the Department has commenced a reconciliation process, since mid-2011 – which will reconcile local data with the total reported – and plans to develop a new computer system for recording savings which will allow for enhanced management information. It also plans to conduct further training with local office staff in 2011 to re-emphasise the importance of recording savings correctly.

