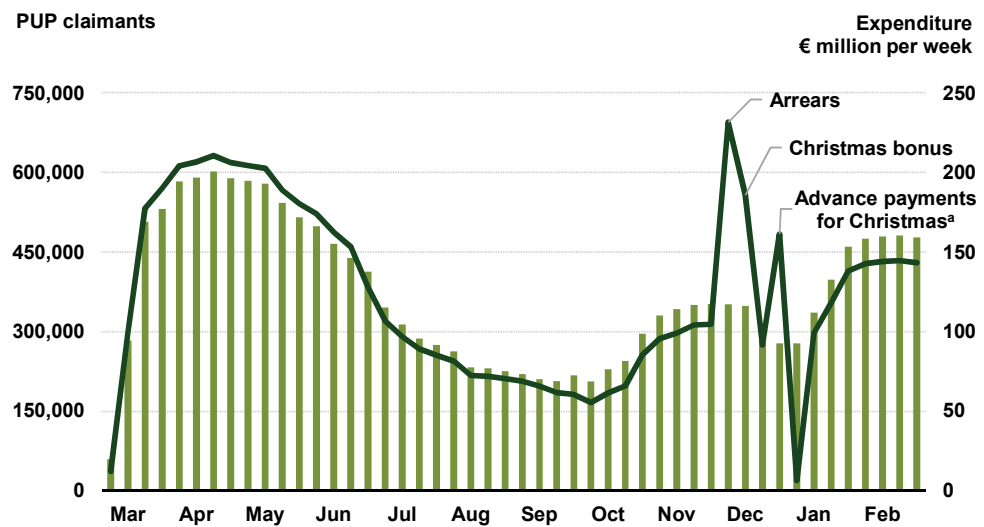


# 11 Controls over the Covid-19 pandemic unemployment payment

- 11.1** The pandemic unemployment payment (PUP) is an income support scheme for employed and self-employed claimants who have temporarily lost their income due to the Covid-19 global pandemic. The scheme is administered by the Department of Social Protection (the Department).
- 11.2** PUP scheme payments commenced on 24 March 2020. When launched, PUP was paid as a supplementary welfare allowance payment under the Social Welfare (Consolidation) Act 2005 (the Act). On 5 August 2020, the Social Welfare (Covid-19) (Amendment) Act 2020 placed the PUP on a discrete statutory basis. Total PUP scheme expenditure in 2020 amounted to almost €5 billion, of which €3.66 billion was funded from the Social Insurance Fund and €1.32 billion was funded from the Social Protection vote.<sup>1</sup> The number of claimants and weekly expenditure for the scheme fluctuated significantly (see Figure 11.1).

**Figure 11.1 Number of PUP claimants and expenditure, March 2020 to February 2021**



<sup>1</sup> The PUP scheme has been funded from the Social Insurance Fund (SIF) since 6 August 2020. In addition, the 2020 Act provided for the recovery from the SIF of a proportion of PUP expenditure in respect of the period 13 March 2020 to 5 August 2020. In this regard, the SIF reimbursed the Vote 37 Social Protection the amount of €1.8 billion. The rationale for reimbursement was that many PUP claimants would otherwise have applied for and received jobseeker's benefit. The remaining expenditure incurred prior to 6 August (€1.32 billion) was borne by the vote.

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

Note a A single payment issued in week commencing 21 December 2020 to include payments due in respect of the following week also. This is reflected in the dip in expenditure in the following week.

## Payment rates

- 11.3** The PUP payment rate was initially set at a flat rate of €203 per week for all claimants. For payment dates from 31 March 2020 to 30 June 2020, a flat rate of €350 per week was paid to all claimants. The Department has stated that the payment rate was increased to €350 per week
- to address concerns that the €203 rate would be insufficient for a two-adult household by reflecting the jobseeker's payment rate for a claimant with a qualifying adult dependent (€338)

- to sustain the incomes of people affected so as to buttress public support for the public health restrictions and in so doing to reduce pressure that might otherwise fall on the health service
- to reflect the average income of workers in the two most affected sectors — retail and hospitality.

**11.4** Since 30 June 2020, the rates have been amended to establish a closer correlation between individual claimants' previous incomes and the weekly rate of the PUP payment (see Figure 11.2).

**Figure 11.2 PUP payment rates, March 2020 to August 2021**

Claimant's weekly income in reference period	PUP rates payable, by date of payment			
	31 March to 30 June 2020	7 July to 15 September 2020	22 September to 20 October 2020	27 October 2020 to 31 August 2021
< €200		€203	€203	€203
€201 — €300			€250	€250
€301 — €400	€350	€350		€300
> €400			€300	€350

Source: Department of Social Protection

**11.5** The previous average income of PUP claimants was determined as follows: for employees, the higher of the average of weekly earnings in 2019 or in January and February 2020; for the self-employed, average weekly income in 2018 was considered as the reference period.<sup>1</sup> The Department has stated that the use of a limited number of reference periods was appropriate and warranted to allow for variations in earnings, particularly for sectors/occupations where earnings vary on a seasonal basis.

**11.6** The adoption of differing rates of payment from the end of June 2020 had a significant impact. For payments on 30 June 2020, all 439,000 claimants were in receipt of €350 per week. For payments on 27 October 2020, just 41% of the 296,000 claimants were in receipt of the higher rate.<sup>2</sup>

**11.7** The Department's data indicates that

- Claimants that had previously had relatively low earnings were significantly better off when claiming the PUP. In October 2020, employed claimants in receipt of the lowest rate (€203) received, on average, over 40% more than their previous average earnings.<sup>3</sup> By comparison, beneficiaries of the temporary wage subsidy scheme (TWSS) were paid no more than their pre-pandemic pay (TWSS funded up to 85% of the weekly average take home pay and employers could choose to pay the shortfall).
- Employed claimants in receipt of the highest rate of PUP payments (€350) were receiving equivalent to around 60% of their previous average earnings.

**11.8** Casual workers who had previously also been claiming jobseeker's support were paid at the €350 rate. The Department has stated that a PUP payment based only on the income of casual workers (not considering any jobseeker's payments a claimant may have received while working) would fail to take account of the full income loss suffered by such claimants: therefore, for reasons of equity, all casual workers who had previously also been claiming jobseeker's support were paid at the maximum rate.

<sup>1</sup> From June 2020, a further reference period was added for the self-employed (2019) and from October 2020 a further reference period was added for employees (from January to September 2020).

<sup>2</sup> Further information in relation to the PUP payment rates is set out at Annex 11A.

<sup>3</sup> This calculation excludes claimants who had no record of income in a reference period. The Department has stated that claimants with no income in a reference period include claimants who were not eligible for PUP, claimants who were not part of the formal workforce and claimants whose Revenue records were not up-to-date.

- 11.9** The objective of this report is to examine
- the effectiveness of controls over claims and payments for PUP
  - the available information in relation to PUP claim reviews conducted by the Department
  - the estimated level of irregular payment on the scheme
  - whether the Department has actively pursued overpayments related to PUP.

### Controls over the PUP scheme

- 11.10** To qualify for the PUP, an applicant must
- have lost their job or been laid off because of COVID-19, or be self-employed and trading income was significantly impacted (income ceased due to the COVID-19 public health emergency or has collapsed to the extent that the applicant is available to take up other full-time employment)
  - be aged between 18 and 66
  - live in the State
  - have been in employment or self-employment in Ireland immediately prior to claiming PUP<sup>1</sup>
  - in the case of employed persons, not be getting any income from employment.

- 11.11** From 6 August 2020, the applicant

- must have been an employed contributor in the week before he/she ceased to earn an income or in the case of self-employed applicants must have been in insurable self-employment before reckonable income ceased/reduced, and
- must also be genuinely seeking work.

#### *Processing of PUP applications*

- 11.12** In the period March 2020 to end-February 2021, the Department received 1.75 million applications, comprising 1.3 million online applications and 450,000 paper-based forms.<sup>2,3</sup> The profile of applications received over time is set out in Figure 11.3.

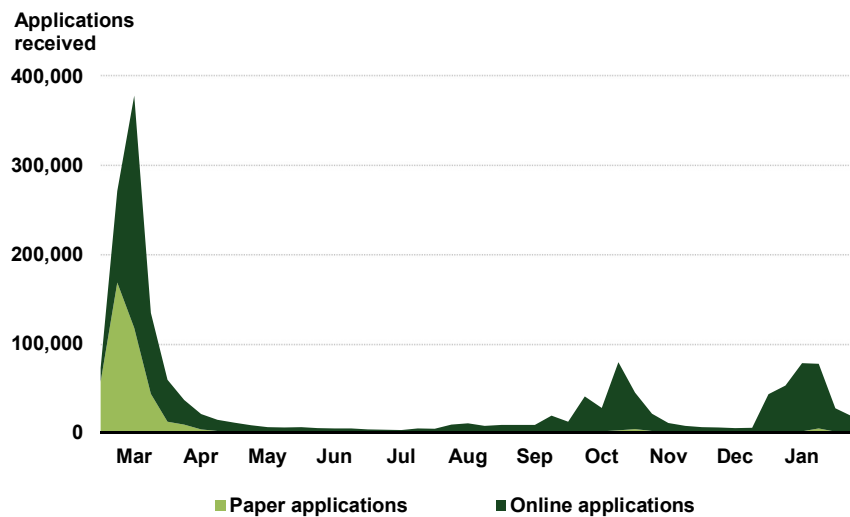
- 11.13** More than half of all applications were received in the first five weeks of the scheme. While the Department processed many paper-based application forms in the first five weeks of the scheme (400,000 in total), the number of paper-based applications fell rapidly thereafter, with less than 1,000 new paper applications made on most subsequent weeks.

- 11.14** Applications were accepted and processed through the application system on the working assumption that the information provided by the claimant was true. While applying for the PUP, each application must include a signed declaration — the declarations made have evolved over time, mainly in response to changes in scheme eligibility (see Annex 11B).

<sup>1</sup> The Department has stated that the scheme was also available to people not usually considered 'employed' in a formal sense including, for example, students, undocumented workers, workers in the informal economy and others who would not have a payroll history.

<sup>2</sup> The number of applications submitted exceeded the number of claimants as in some cases, claimants lodged more than one application around the same time (for example to correct or amend an application that had failed) or on foot of renewed periods of lay-off or loss of employment.

<sup>3</sup> Details from paper-based application forms were transcribed by the Department's staff onto an application developed for managing PUP applications — the 'PowerApp', which was made operational on 24 March 2020. Details from online applications were uploaded to the 'PowerApp' automatically.

**Figure 11.3 Weekly PUP applications by paper and online, March 2020 to January 2021**

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

**11.15** The Department deemed the declarations made by claimants as an important element of control over eligibility for the scheme. In this regard, it should be noted that while the submission of paper-based applications fell significantly after April 2020, the paper-based application in use up to October 2020 required the applicant to acknowledge that it is an offence to provide false information or to withhold information to qualify for the PUP payment — it did not request, as the online application did, information on the detailed conditions (e.g. residency), or require the applicant to declare agreement that PUP payments would be repayable if any of the information provided was untrue. However, claimants who completed the continuing eligibility process (see below) were required to include a declaration in relation to residency and repayment of PUP where the information provided was untrue.

**11.16** The Department has conducted three processes whereby a claimant was required to confirm their ongoing eligibility.<sup>1</sup> This resulted in a significant number of claimants closing their claim without submitting a response, or the Department closing the claim due to no response being received.

- In July 2020, each claimant was required to confirm their continuing eligibility, resulting in 36,500 claims being closed.
- In March 2021, cases (122,000) in payment since April 2020 were required to confirm their continuing eligibility, resulting in almost 10,600 claims being closed by the Department.
- In July 2021, each claimant was required to confirm their continuing eligibility, resulting in 18,500 claims being closed by the Department.

<sup>1</sup> The confirmation of continuing eligibility does not require the submission of supporting evidence of assertions made. The Department has stated that seeking supporting evidence would have created a significant administrative burden which may have impacted the continued delivery of payments. In addition, some claimants may not have been able to obtain evidence of employment loss during the pandemic.

### ***Design of control system***

**11.17** When the PUP scheme was launched on an emergency basis, the Accounting Officer recognised that the control regime would not be as rigorous as that normally applied to other scheme payments and therefore the risk of overpayments would be higher than normal. The Department has stated that the less rigorous controls were considered unavoidable given the high volume of claims to be processed, the impact of social distancing measures on processing capability, the potential absence of staff due to Covid-19 illness, overriding public interest considerations including the avoidance, at a time of high anxiety within the community, of any additional stress that would be caused by an insistence on adherence to full processing standards with attendant long delays in payments, and the economic stabilisation value of payments made in injecting money and liquidity into the economy. The Department has also stated its anticipation that, even if some people sought to take advantage of the scheme, most people would, at a time of community togetherness, act honourably and honestly. The Department also expressed its intention that control checks would be conducted after payments commenced.

1 An earnings disregard of €480 over four weeks was introduced for the self-employed in October 2020 under Budget 2021. It was increased to €960 over eight weeks in December 2020.

2 In relation to the 2020 calendar year, tax returns must be submitted to Revenue no later than 31 October 2021 for paper submissions (an extension of two weeks is normally granted for online returns). When annual tax returns of the self-employed are submitted to Revenue, income is not disaggregated by week or month but is stated cumulatively for the year.

**11.18** Figure 11.4 summarises the controls that were specified in relation to PUP payments and an assessment of the level of assurance provided by those controls.

**11.19** A particular issue arises in relation to confirming eligibility of individuals that were self-employed prior to the onset of the pandemic. Information returned to Revenue by the self-employed does not enable the Department to assess whether the claimant complied with eligibility criteria in relation to a loss of income due to Covid-19 or income generated while claiming PUP.<sup>1,2</sup> To do so, the Department would have to obtain detailed earnings information from self-employed claimants.

**Figure 11.4 Examination's assessment of controls over claims**

Criteria	Take-on controls	Controls over claims in payment	Comment
Identity	●	●	Department checked that the PPSN provided was valid and that the date of birth provided matched the PPSN — there was no check that the name, address or bank account details provided matched those already on the Department's records. <sup>a</sup>
Residency	●	●	Before 26 June 2020 — the Department relied on claimant's declaration and also searched the database for certain key words that may indicate that a claimant was not resident in the State.
	●	●	After 26 June 2020 — controls in relation to the Revenue records provide partial assurance that the claimant was resident in the State
<b>Employment</b>			
Employment lost due to Covid-19	●	●	Department relied on claimant's declaration.
In employment immediately prior to claiming PUP	●	Not applicable	Employees — prior to 26 June 2020: the Department relied on claimant's declaration and also searched the database for certain key words that may raise concerns about prior employment eligibility.
	●	Not applicable	Employees — after 26 June 2020: the Department utilised Revenue data on recent employment history.
	●	Not applicable	Self-employed — the Department relied on claimant's declaration and also searched the database for certain key words that may raise concerns about prior employment eligibility.
Current employment	Not applicable	●	Department relied on claimant's declaration to contact the Department if circumstances changed. The Department's control related to data-matching between PUP claimants and recipients of TWSS or EWSS support and from August 2021 fortnightly checks against Revenue real-time data.
In receipt of other payment from the Department	●	●	Check was conducted to ensure claimant was not in receipt of relevant payment at take-on and prior to each payment run.
Genuinely seeking work	Not applicable	○	No check on this criterion up to end-April 2021.
	Not applicable	●	From May 2021, the Department commenced contacting claimants from sectors where restrictions had been relaxed. In July 2021, the Department commenced requesting PUP claimants to 'sign-on'.
<b>Key:</b>	● The control in place provides sufficient assurance.	● The control provides weak assurance.	
	● The control provides partial assurance.	○ No control for this purpose in place.	

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

Note: a The Department may not have had bank account details on record, for example where a claimant had not previously interacted with the Department.

- 11.20** The Department primarily relied on the claimant's declaration in relation to residency (address) and that the reason for the employment loss was due to Covid-19.
- 11.21** After 6 August 2020, eligibility for the PUP was dependent on the applicant genuinely seeking work. However, the PUP regulations provided that where a claimant's opportunity to work in their normal employment was temporarily limited by Covid-19 restrictions and they have a reasonable expectation of returning to that occupation, they will not be required to seek employment outside that employment or occupation for a period of twelve months after first claiming the PUP. As a result, the Department did not attempt to verify the 'genuinely seeking work' aspect of PUP eligibility criteria in 2020 other than to establish a dedicated telephone line for reporting of such cases by employers — of 2,500 reports by employers, around 400 claims were stopped. The Department has stated that there was limited scope to engage with claimants during 2020, as the economic activity that resumed during the summer of 2020 was quickly overtaken by the reintroduction of restrictions. From end-May 2021, the Department commenced engaging with PUP recipients who had worked in sectors where trading restrictions had been relaxed, and where employment opportunities could arise.
- 11.22** Greater use of Revenue real-time employment and earnings information, to which the Department has access, would have enhanced the controls in place to confirm eligibility for payment under the scheme in a number of ways.<sup>1</sup>
- **Prior employment of employees** — Prior to 26 June 2020, applications were not checked to Revenue real-time information to ensure that the claimant had been working prior to their PUP application.<sup>2</sup> After 26 June 2020, this check was carried out, and claims were not put into payment where the applicant did not have income in the relevant reference period. However, given the time profile of receipt of claims, it is likely that a large proportion of claims were put in payment prior to June 2020 and continued to be paid without this check being conducted. The Department has stated that it was not possible for technical and other reasons to utilise the Revenue data when the PUP was introduced, and that this check was implemented following a co-operative engagement between Revenue and the Department at the end of June 2020.<sup>3</sup> In April 2021, more than 10,500 cases were in payment (at the rate of €203 per week) where there were no earnings details in the reckonable reference periods — a review of these claims by the Department resulted in around half continuing in payment, with 11% of these claims closed by claimants before that review was concluded and 40% being closed by the Department.
  - **Current employment of employees** — the Department did not match details of PUP payments against Revenue records using an automated process to ensure that the claimant was not working as an employee while claiming PUP or to check the last date of employment. However, the Department conducted a weekly check to ensure that a PUP claimant was not also in receipt of wage subsidy scheme support which accounted for a significant proportion of employees during 2020.<sup>4</sup>
- 11.23** From August 2021, the Department commenced fortnightly checks of PUP claims in payment against Revenue real-time data.

<sup>1</sup> Since 1 January 2019, employers are required to report payroll information to Revenue each time employees are paid, providing Revenue with real-time information on the value of pay to employees and the associated pay-related social insurance (PRSI). The Department has access to that real-time information.

<sup>2</sup> Most applications were received prior to 26 June. In those cases, checking of prior employment has been limited to random selection for a control review and, in April 2021, all continuing claimants with no income in any reference period.

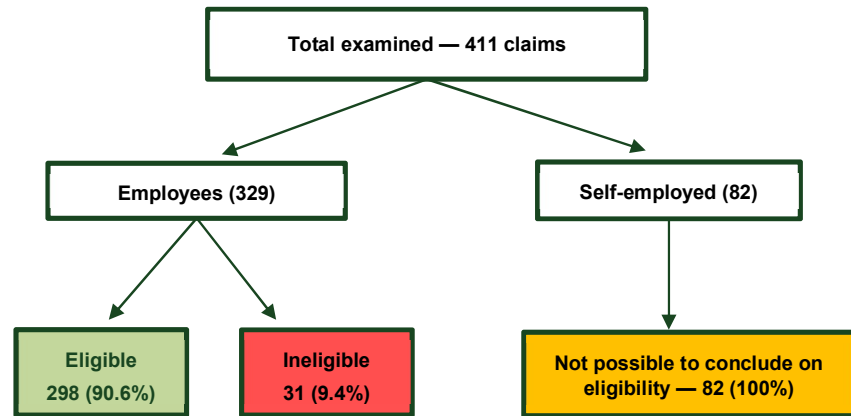
<sup>3</sup> The technical and other reasons referred to by the Department include data-exchange arrangements with Revenue for 2.7 million employees reported by 180,000 employers, varying payment frequency (weekly, fortnightly or monthly), wages/salaries being paid in arrears, and data protection requirements.

<sup>4</sup> Following the introduction of the Employment Wage Subsidy Scheme (EWSS) in September 2020, the Department has conducted since October 2020 monthly data-matching of PUP claimants and employees in receipt of the EWSS.

**Review of eligibility**

- 11.24 Eligibility to PUP payments for 411 randomly selected claimants was reviewed for the purpose of this examination — 329 claims related to employees and 82 related to applicants that were previously self-employed (see Figure 11.5). Where a claimant had evidence of both employment and self-employment, categorisation was decided on a case-by-case basis.
- 11.25 The examination review involved an assessment of whether or not the individual was entitled to the payment received in the week examined, based on the details provided by the claimant on the PUP application form and PRSI records available to the Department from Revenue.

**Figure 11.5 Results of testing of sample claims**



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

1 The IBAN validity check ensures that the account number has been correctly provided and entered on the Department's system — it does not seek to link the account number to details previously provided by a claimant.

2 The overlap check is to verify that a claimant is not currently in receipt of a payment from a scheme of the Department (including TWSS) which cannot be claimed concurrently, for example a jobseeker's payment.

3 The analysis was conducted on a point-in-time basis — some claimants may have been eligible for the payments on dates other than the test date. Of the claimants reviewed who were considered to be eligible for the payment on the date of the test, 23 were considered to have been ineligible for a payment at another time. These cases were not included in those classified as ineligible, but were brought to the attention of the Department for its consideration.

4 The analysis classified persons who had returned to work in the previous two weeks but who were still in receipt of a PUP payment as being eligible for that payment.

- 11.26 For all claims examined, the controls appear to be operating effectively in relation to: the verification of the age of the claimant; the validity of the PPSN and bank details (IBAN) provided; and overlap with payments under other schemes of the Department.<sup>1,2</sup>

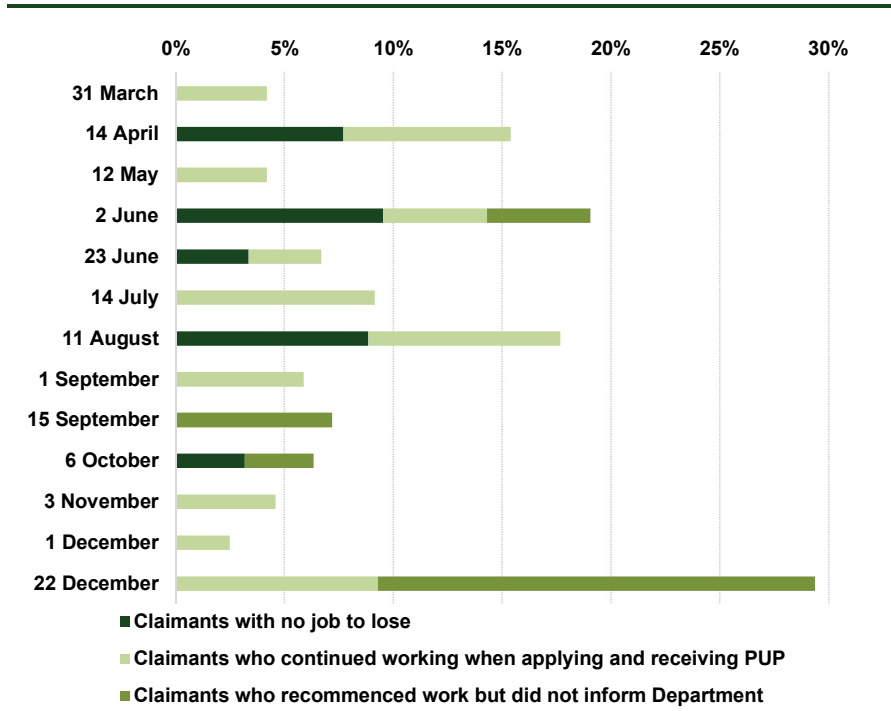
**Results of employee cases examined**

- 11.27 In relation to employees, the specified controls were operational. However, in 31 or 9.4% of the cases reviewed, there was evidence the claimant was not entitled to the payment in the week examined.<sup>3</sup> Ineligibility arose for a variety of reasons.
  - In just under half of these cases, the available evidence showed that the claimant continued working while claiming PUP.
  - In one quarter of the cases, there was no evidence that the claimant had been working prior to the pandemic.
  - In one quarter of the cases, while the claimant was eligible when the application for PUP was made, there is evidence the applicant subsequently returned to work and did not inform the Department.<sup>4</sup>

**11.28** For the sample cases examined, 9.4% of the value of the PUP scheme payments made was deemed to be ineligible. It is possible that had the claimants concerned not availed of the PUP, some of them might instead have been entitled to other income support payments, which would offset any payment in excess of entitlement at the Department level.

**11.29** Figure 11.6 shows the level of excess payment for the sample of PUP claims examined from each payment batch reviewed. The percentage of payments found to be ineligible (by value) was highest in June, August and December.

**Figure 11.6 Percentage (by value), of payments found to be ineligible from results of testing of employee recipients of PUP**



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

**11.30** The Department has stated that the likelihood of a person mis-claiming (e.g. failing to close a claim promptly on return to work) or a payment being continued in error is more likely at those points in time when restrictions were being relaxed/re-imposed and when scheme conditionality is changing. The Department has stated this is reflected in the data in Figure 11.6 which shows the three highest months for excess payment as June (scheme conditionality was changed), August (a high return to work month following the summer relaxation of restrictions) and December (a month in which restrictions were relaxed and there was a high level of temporary return to work) — excluding these three months, the value of excess payments would be 6% of the amount paid to the claimants in the sample.

*Results of self-employed cases examined*

- 11.31** The examination reviewed 82 self-employment cases and found that the planned controls were performed.
- 11.32** When processing applications from self-employed claimants, the Department had to rely on the declaration of claimants in relation to the impact of Covid-19 on economic activity and loss of income. It was not possible for the examination team to confirm PUP eligibility as no evidence was available concerning the reduction of economic activity and loss of income due to Covid-19.
- 11.33** After 5 August 2020, self-employed claimants of the PUP were required to be insured contributors to the PRSI system. Three of the 82 cases examined had been paid after that date. While the claimants had declared their eligibility to PUP, there was no recent record of their being an insured contributor — that is, the claimant had not made a return to Revenue in recent years. On that basis, they were ineligible to receive the payment.

**Control reviews***Assessing higher risk claims*

- 11.34** The Department's control review process includes examining claims to ensure that the claimant was/is entitled to a payment and that the level of payment was/is correct. The selection of claims to be reviewed is based on an assessment of the risk that the payment is not correct. The Department commenced conducting control reviews of PUP claims shortly after the scheme was launched.
- 11.35** In the absence of a control survey to inform the selection of risk criteria, the Department relied on its experience and knowledge to focus on residency, no prior employment and a failure to declare ongoing employment as the principal bases for selecting claims for review. In 2020, the Department reviewed 71,400 claims (representing approximately 9% of the claimant population).<sup>1</sup>
- Over 52,000 reviews were conducted by the Special Investigations Unit (SIU) concentrating on residency issues and ensuring that the employment criterion was satisfied, using data from Revenue. SIU also conducted site visits for high risk businesses, such as construction sites and taxi-drivers. Over 17,000 claims were stopped as a result of the work of the SIU.
  - A further 19,400 reviews were carried out by other departmental staff including local Social Welfare Inspectors (SWI) with around 5,800 claims closed. These checks included reviews following reports to the employer help line and anonymous reports, and local SWI reviews to ensure that employees were closing their PUP claims following return to work.
- 11.36** Control reviews conducted are recorded on the Department's ICT system but the system did not record the origin of PUP reviews so the impact of each control review project is an estimate. The Department has stated that the additional overhead required to establish investigation groups on the ICT system to record the origin of reviews would not have added significant value over the life-time of the scheme. The inability to analyse the outcome of PUP control reviews, setting out the number and value of claims examined and closed by each control review project, prevents the Department from accurately identifying the extent of the risk identified by each project.

<sup>1</sup> An individual claimant may have been reviewed more than once where they had more than one claim and were selected for review by more than one control review project.

**11.37** The examination identified a number of opportunities for improvements in relation to the eligibility reviews conducted by the Department.

- **Matching PUP claimant information with Revenue real-time information** — The Department has access to real-time information submitted by employers. This could have been used regularly to detect claimants having no earnings from employment immediately prior to claiming PUP or having income from employment while claiming PUP. However, the Department only conducted three separate data matching exercises in 2020 — PUP claimants on March 2020 and June 2020 test dates were compared to Revenue records to identify those without a history of employment contributions and PUP claimants on an October 2020 test date were compared to Revenue records to identify those who appeared to also be in receipt of employment income. The Department has stated that these checks were not conducted more frequently due to administrative and technical issues that militate against full reliance on the data, including the exchange of data relating to an average of 2.7 million payees reported by 180,000 employers to Revenue each month and data protection requirements. Since end-August 2021, the Department has commenced fortnightly checks against Revenue real-time information.
- **Maximising the use of the Department's information in relation to claimants to detect possible fraud** — The reviews conducted by the Department did not utilise all information already provided by claimants to the Department. For example, the Department has not conducted matches between PUP application forms and the Department's existing data on email addresses, mobile phone numbers or bank account numbers, which may have identified cases where PUP was claimed using another individual's details.<sup>1</sup>

1 The Department did not have bank account details on record for all claimants, for example where an individual did not previously interact with the Department.

2 The Department estimates that €4 billion (80%) of PUP scheme expenditure in 2020 was paid to employees and €1 billion (20%) was paid to self-employed claimants.

3 The value of ineligible payments stated is the gross excess payment rate.

4 A control survey is the review of a random sample 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.

5 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.

**11.38** While the available resources may not have facilitated the pursuit of all claimants who worked while claiming PUP, the matching of claimants to Revenue real-time information would provide insight into emerging trends and to identify claimants where there was an increased risk of overpayment.

### Estimation of the level of irregular payments

**11.39** This examination's testing of a random sample of 329 employee PUP claims<sup>2</sup> found that 9.4% of the sample examined in terms of both number of cases and by value were deemed to be ineligible for payment by reference to the criteria prevailing at the time the payment was made.<sup>3</sup> This excess payment rate excludes cases where there was a prior entitlement but where the claimant's circumstances had changed within two weeks of the payment date e.g. where the claimant had resumed employment and failed to notify the Department of that fact, or where the Department had received notification from the claimant but had not yet acted to stop the payment.

**11.40** The Department's control review testing of PUP claims has resulted in the identification of significant numbers of cases where there was no entitlement, or where a prior entitlement had ceased. However, because these cases were selected on a risk basis, the results cannot be extrapolated to PUP claims as a whole. The Department has not conducted a control survey based on a random sample of cases, which would facilitate estimation of the level of suspected fraud and error that occurred under the PUP scheme in 2020.<sup>4,5</sup>

- 11.41** This examination's testing of a sample of employee PUP claims was not designed to provide a definitive assessment of the level of payments in excess of entitlement for the scheme with a high degree of confidence. Nevertheless, it does provide an indication that the level of irregular payment for the scheme in 2020 is likely to have been material.

### Recovery of overpayments

- 11.42** Where a claimant receives an income support payment that is in excess of the amount the person was entitled to receive, the Department may raise an overpayment and commence recovery of that debt. This is in line with the Department's policy and practice on other income support schemes.
- 11.43** While the Department identified ineligible payments from conducting control reviews and ceased payment, it delayed raising overpayments against those claimants. The raising of overpayments in relation to any PUP scheme payments did not commence until the final weeks of 2020 — overpayments totalling €295,000 were raised in relation to 117 claimants in 2020. The Department has stated that legal advice was sought from the Attorney General in relation to the recovery of overpayments, in particular for overpayments arising on payments made before the scheme was placed on a discrete statutory basis in August 2020, resulting in the delay in commencing the raising of overpayments.
- 11.44** As of end of June 2021, overpayments totalling €9 million had been raised by the Department in relation to 3,000 claimants — all overpayments raised to June 2021 relate to cases where there was an overlap of employment and claiming PUP. By end-August, this had increased to €14.5 million in relation to 4,300 claimants. The Department stated that there has been no estimate made of the overall amount of overpayments to PUP claimants.
- 11.45** As of the end of June 2021, the Department had received voluntary repayments of €8.3 million from 9,200 claimants who applied for the PUP and subsequently judged that they were not eligible for the payment. These receipts were submitted before the Department had raised an overpayment for the claimant but include cases where the Department had run media campaigns or had initiated direct contact with the claimant through a control review or continuing eligibility request.

## Conclusions and recommendations

- 11.46** In 2020, the Department issued payments of just under €5 billion in relation to the PUP. This was equivalent to around a quarter of the value of the annual income support provided pre-Covid. The scheme itself was devised and implemented in a very short period, at the same time as the Department had to adopt restricted work practices. Delivery of the scheme on such a scale and in such a short time represented a major achievement.
- 11.47** Between March 2020 and February 2021, the Department processed 1.75 million claims under the PUP scheme — over half of these were received in the first five weeks of the scheme.<sup>1</sup> This presented a significant control challenge for the Department.
- 11.48** The Department implemented reduced controls compared to other income support schemes — the Accounting Officer stated that this was necessary and appropriate given the volume of claims that were expected (normal controls would result in delays processing claims), the potential loss of staff due to Covid-19, and in the public interest. The Accounting Officer acknowledged that the risk of overpayments would be higher than normal.
- 11.49** There is evidence that for a sample of employee claims reviewed as part of this examination, over 9% of the claimants were not eligible for the PUP payment received on the date tested — around one-quarter of these claimants did not appear to have been in employment prior to claiming the PUP and three-quarters appear to have worked while applying for PUP or had recommenced employment but did not inform the Department.
- 11.50** Notwithstanding the exigency of issuing a large volume of payments within a short timeframe, there were opportunities to review eligibility for payments as the scheme progressed. The examination found that
- The Department conducted a number of projects to assess eligibility of some claimants but did not analyse the results in terms of the number of claims that were ceased. This prevented the Department from identifying specific cohorts of claimants that presented a higher risk of ineligible payment.
  - During 2020, the Department conducted a control review of eligibility for payment in 71,400 cases representing about 9% of the total number of claimants.<sup>2</sup>
  - While the Department made use of most readily available data, it took some time to set up a routine check using the Revenue real-time data that could have improved control outcomes.
  - From the end of June 2020, the Department decided on the rate that a claimant should receive based on their income in specific ('reference') periods, but some claimants already in receipt of PUP at that time did not have any record of income in these prior periods and continued to receive PUP. At the end of April 2021, more than 10,500 claimants with no record of income in the specified periods were still receiving PUP, but around half of these claims were closed following subsequent work by the Department.

<sup>1</sup> Some claimants lodged more than one application, in particular on foot of renewed periods of lay-off or loss of employment.

<sup>2</sup> An individual claimant may have been reviewed more than once where they had more than one claim and were selected for review by more than one control review project.

**Recommendation 11.1**

The Department should establish and implement a strategy to review employee PUP claimants as they transition to other schemes or to employment, to ensure all overpayments are captured. Analysis of overpayments detected, including sectoral trends, should be used to inform retrospective reviews, where appropriate, of claims that have already been closed.

**Accounting Officer response**

Agreed.

The Department will establish and implement a strategy to review employee PUP claimant records to identify potential cases of overlaps between PUP payments and employment records or where evidence suggests that PRSI compliance issues may arise. The results of this review will then be used to identify those cases where there was a higher risk of ineligible expenditure claims.

- 11.51** There was a particular difficulty in relation to confirming eligibility for claimants that were previously self-employed. The Department estimates that previously self-employed claimants accounted for about 20% of total expenditure on PUP. In order to be eligible, self-employed claimants had to have experienced a significant drop in income. However, most returns by self-employed individuals for a financial year are not returned to Revenue until October of the following year, and when submitted will not provide the required evidence in regard to income.
- 11.52** As a result, the design of the scheme did not facilitate checks to verify that the claimant was in compliance with the economic activity eligibility conditions. This examination could not conclude on the eligibility of the self-employed category of claimants reviewed due to the absence of evidence to support the loss of economic activity due to Covid-19.

**Recommendation 11.2**

The Department should establish and implement a strategy to review self-employed PUP claimants, through sectoral analysis and the utilisation of Revenue data such as self-employment PRSI returns, to identify those cases where there was a higher risk of ineligible expenditure claims.

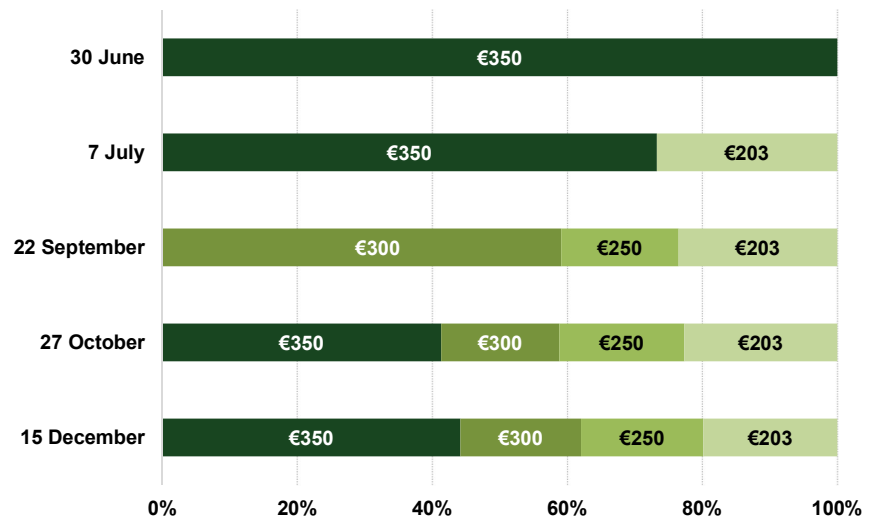
**Accounting Officer response**

Agreed.

The Department will establish and implement a strategy to review self-employed PUP claimants, through the utilisation of Revenue data such as self-employment PRSI returns and the use of business analytics tools, to identify those cases where there was a higher risk of ineligible expenditure claims.

- 11.53** The results of the examinations testing of a sample of employee PUP claims provides an indication that the level of irregular payment for the scheme in 2020 is likely to have been material.

### Annex 11A Distribution of PUP rates for selected weeks



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

## **Annex 11B Evolution of the declaration made by PUP applicants**

### **Online form**

There were four versions of the online PUP application form - issued in March, April, July and October 2020. Claimants were required to declare that

- they are resident in the State (since April) and, since October, not eligible when absent from the State other than in accordance with legislation
- they are not being paid by their employer and, since October, that the income of self-employed claimants has ceased or reduced to such an extent that the claimant is available for full-time work
- the information is truthful and complete (no acknowledgement that it is an offence to provide false information)
- if the information provided is not true, then they may be required to repay any payments received
- they will advise the Department of a change in circumstances that may affect their entitlement
- they are genuinely seeking employment.

### **Paper form**

There were three versions of the PUP paper-based application form, issued in March 2020, August 2020 and October 2020.

Unlike the on-line application forms, none of the paper forms require a declaration that the claimant is resident in the State, that the claimant is genuinely seeking work, or an acknowledgement that the claimant may be required to repay payments received if the information provided is untrue or misleading. Until October 2020, there was no self-employment specific declaration in relation to income. Claimants did declare that

- they are not being paid by their employer
- the information provided is truthful and complete
- they will advise the Department of a change in circumstances that may affect their entitlement.

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Source: Department of Social Protection