

## 12 Regularity of social welfare payments

**12.1** The Department of Employment Affairs and Social Protection (the Department) is required to ensure that the expenditure it incurs has been applied for the purposes for which the money was made available by Dáil Éireann, and that its financial transactions conform with the authorities under which they purport to have been carried out. Financial transactions are considered to be 'regular' when both of these conditions are satisfied.

**12.2** Any payments in excess of entitlements under the terms of welfare schemes are, accordingly, irregular. Such excess payments can arise in a number of ways, including

- **Claimant fraud** — where a claimant for welfare payments intentionally provides incomplete or inaccurate information in relation to a claim, or deliberately fails to inform the Department of relevant changes in circumstances (such as an increase in means or a change in medical condition) affecting a claim in payment.
- **Claimant error** — which arises when the claimant has provided inaccurate or incomplete information, or failed to report a relevant change in circumstances, but there is no fraudulent intent on the claimant's part.
- **Official error** — where benefits are paid incorrectly due to inaction, delay or mistakes made by the Department's staff.<sup>1,2</sup>

**12.3** The Department has a well-established programme to undertake control surveys of social welfare schemes.<sup>3</sup> The surveys involve 'point-in-time' reviews of random samples of 500 to 1,000 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. The surveys assist the Department in identifying scheme-specific risks and the need for any changes to the scheme control measures in place. Higher value schemes are surveyed more frequently than low value schemes.

**12.4** The Department has stated that, following a review, it intends to move from point-in-time surveys to continuous sampling for larger schemes — such as jobseeker's allowance, disability allowance and State pension (contributory and non-contributory) schemes. Other schemes will continue to be reviewed on a point-in-time basis. Annex 12A outlines past surveys, surveys underway and those planned for 2020.

<sup>1</sup> In some cases, claimant and official error can also result in claimants receiving less than they are entitled to (an underpayment).

<sup>2</sup> Where the last review of a claim was conducted more than five years previously, the case is categorised as an official error.

<sup>3</sup> The sample-based surveys aim to provide an estimate — to a 95% confidence level — of the level of incorrect payment.

## Eligibility for payment

- 12.5** Eligibility to a welfare payment varies from scheme to scheme and may require satisfying criteria relating to age, family circumstances and/or economic status. Most scheme payments depend on either a social insurance contribution record or a claimant's income from other sources determined through means testing.
- 12.6** Medical eligibility is a key qualifying criterion for payment under a number of welfare schemes. For example
- Recipients of disability allowance must have an injury, disease, or physical or mental disability that has continued or may be expected to continue for at least one year and as a result of that disability, be substantially restricted in undertaking work that would otherwise be suitable for a person of their age, experience and qualifications.
  - Recipients of illness benefit must be unable to work due to illness or injury — weekly or monthly certification of their continuing inability to work must be provided to the Department by their general practitioner (GP).
  - Recipients of invalidity pension must be assessed to be permanently incapable of work, or have been incapable of work for at least 12 months and be likely to be incapable for work for at least a further 12 months.
- 12.7** When the Department carries out a control survey of a scheme which has medical eligibility payment criteria, medical reviews of a subset of cases are undertaken. This may result in cases being identified whose medical condition is considered to no longer meet the specified criteria. Where this occurs, welfare payments may be stopped, or the amount payable may be reduced (an excess payment), and is included in the estimation of irregular payment levels.
- 12.8** Where a medical ineligibility decision is subsequently successfully appealed, the case is not included in the estimation of irregular payment levels.

## Survey results

- 12.9** Figure 12.1 shows the expenditure in 2018 on Vote and Social Insurance Fund schemes in respect of which control surveys have been undertaken (at least once) since 2012.<sup>1</sup> It also shows the estimated percentage level of excess payment for each scheme found during the latest surveys due to suspected fraud, error or medical ineligibility. In aggregate, the schemes included in Figure 12.1 accounted in 2018 for 80% (€8.7 billion) of voted expenditure, and 83% (€8.4 billion) of Social Insurance Fund expenditure.
- 12.10** Figure 12.1 also shows
- the impact of transfers to other schemes — where a claimant (and/or a dependent person) was found to be paid in excess of their entitlements on the scheme reviewed, but was entitled to a different benefit welfare payment
  - net excess payment — the value of gross excess payments less transfers to other schemes.
- 12.11** In addition, Figure 12.1 shows the percentage (by value) of underpayments — these are cases where the survey found that the claimant was receiving less than they were entitled to.

<sup>1</sup> The results of the 2016 household benefits survey have not been included because it related to 7% of the beneficiaries (i.e. those in receipt of the household benefit package only). Since 2016, entitlement to household benefits (as well as income support) has been examined in a number of other surveys. The Department estimates the error rate in respect of entitlement to the benefits packages for the schemes surveyed (a combined 69% of benefits package recipients) to be 1.3% by value.

**Figure 12.1 Estimated level of irregular payments in surveyed schemes**

Account and scheme	Scheme cost in 2018 €million	Excess payments		Underpayments	
		Gross	Eligible to transfer to other schemes	Net	
<b>Vote funded schemes</b>					
Child benefit	2,097	0.5%	0%	0.5%	0%
Jobseeker's allowance	1,841	5.0%	(1.5%)	3.5%	0.4%
Disability allowance	1,586	5.6%	(1.0%)	4.6%	0.5%
State pension (non-contributory)	1,020	6.5%	0%	6.5%	1.1%
Carer's allowance	795	10.2%	(1.1%)	9.1%	0.4%
One-parent family payment	511	3.0%	(0.3%)	2.7%	0%
Working family payment <sup>a</sup>	411	2.0%	(1.4%)	0.6%	0.1%
Rent supplement	175	7.0%	(1.0%)	6.0%	1.0%
Supplementary welfare allowance (BASI)	112	2.8%	(0.2%)	2.6%	0.2%
Back to work enterprise allowance	90	3.3%	0%	3.3%	0%
Farm assist	74	12.7%	0%	12.7%	2.5%
<b>Total vote funded schemes</b>	<b>8,712</b>				
<b>Social insurance funded schemes</b>					
State pension (contributory)	5,217	2.1%	0%	2.1%	0%
Widow's/widower's/surviving civil partner's contributory pension <sup>b</sup>	1,510	0.7%	0%	0.7%	0%
Invalidity pension	694	1.5%	0%	1.5%	0%
Illness benefit	623	6.1%	(0.1%)	6.0%	0.1%
Jobseeker's benefit	339	2.5%	(0.9%)	1.6%	0%
<b>Total social insurance fund schemes</b>	<b>8,383</b>				

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

Note: a Previously known as the family income supplement.

b **Correction:** The originally published figures for gross and net excess payments were incorrectly stated as 7.4% and the underpayments figure was incorrectly stated as 0.2%. The correct figures are now shown.

**12.12** There is wide variation in the level of excess payments found by surveys of Vote funded schemes. Apart from child benefit, which is a universal payment (i.e. not means-tested), estimated rates of excess payments, range from 2% of scheme expenditure (working family payment) to 12.7% of scheme expenditure (farm assist).

**12.13** There is also variation in the level of excess payment in the social insurance funded schemes surveyed. Estimated rates of excess payments for social insurance funded schemes range from 0.7% (widow's/widower's/ surviving civil partner's contributory pension) to 6.1% (illness benefit).<sup>1</sup>

<sup>1</sup> **Correction:** The originally published report incorrectly stated the range of excess payments. The correct range of excess payments is now shown.

### ***New compliance metric***

**12.14** The Department stated that the assessment and recovery of overpayments forms a key part of its compliance and anti-fraud strategy. Since 2018, the Department has been using a metric called 'Net Loss to Government' to measure the compliance level of schemes. This metric takes account of overpayments recovered, in addition to transfers, when assessing the impact on the Exchequer of scheme non-compliance. Therefore, the Department's published figures for non-compliance for the two most recently surveyed schemes (State pension non-contributory and back to work enterprise allowance) differ from those shown in Figure 12.1. This measure will be considered in the context of the audit of the 2019 appropriation accounts.

### ***State pension (non-contributory) control survey, 2019***

- 12.15** In January 2019, the Department published the result of a control survey of the vote-funded non-contributory State pension scheme. This benefit is means tested and accounted for expenditure of €1.02 billion in 2018. The survey examined 1,000 randomly selected payments made during one week in October 2017, at which time there were 99,000 beneficiaries.
- 12.16** The survey found that one in five of the claims reviewed involved payments in excess of entitlement, and so were irregular — the excess payments identified represent 6.5% of the value of payments for claims examined. The required reduction in payment averaged around €50 per week for claims in excess of entitlements.
- 12.17** The survey also found that 8.2% of claims reviewed were in underpayment — the underpayments identified represent 1.1% of the value of payments for claims examined. As a result, claimants who were identified as being underpaid received an average increase of around €30 per week (plus arrears).
- 12.18** The survey found that 94% of incorrect payments were because the claimant's means were not correctly accounted for.<sup>1</sup> The principal cause of incorrect payments was a change in claimant circumstances which was not reported by the claimant and there had been no review by the Department in the interim to identify that change. The survey found that there was a low rate of error in the original decision made, based on information then available.
- 12.19** Risks found by the survey include
- 38% of claimants who were over 80 years of age were in receipt of an incorrect rate of payment compared to 24% of claimants aged 66 to 79.
  - Claimants in Dublin had a lower rate of incorrect payment than the rest of Leinster and the other provinces.
  - Three in four claimants had no known means. Of that group, 34% were found to be receiving an incorrect benefit. In comparison, only 6% of claimants with declared means were receiving an incorrect payment.
  - Claimants with means (particularly a private or non-Irish pension) were identified as being impacted by fluctuating means due to adjustments in the rate of pension payment or exchange rates.

<sup>1</sup> The survey report does not disaggregate incorrect payments between excess payments and underpayments.

**12.20** The Department has initiated changes to the control framework on the basis of the results of this survey, including

- a revision to the control framework to reflect the risks identified in the report
- in 2019, notifying 10,000 claimants (selected on the basis of risk) of their obligation to advise the Department of change to their circumstances
- reviewing means rules for the scheme
- improving the notification of deaths from the General Register Office.

### **Conclusion**

**12.21** The level of irregular payments found by the Department's control surveys is material. Accordingly, I have referred in my audit reports on the 2018 Appropriation Account for Vote 37 Employment Affairs and Social Protection and the 2018 Account of the Social Insurance Fund to the material level of irregularity of scheme payments.

## Annex 12A

Figure 12A.1 Schedule of control surveys published and underway 2010 to 2019, and planned, 2020



Source: Office of the Comptroller and Auditor General

Key: ● Planned, subject to confirmation on finalisation of new control strategy (2019 to 2023)  
 ● Underway  
 ● Published

Note: a Report is expected to be published in Autumn 2019.