

An Roinn Coimirce Sóisialaí
Department of Social Protection



Family Income Supplement

2015 Fraud & Error Survey

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1. Summary

The Department of Social Protection undertakes Fraud and Error surveys to establish baseline fraud and error levels for social welfare schemes. The purpose of these surveys is to identify the level of risk associated with particular schemes and business areas, with a view to designing processes and control measures specifically targeted to minimise the level of future risk.

This survey was undertaken on the Family Income Supplement scheme (FIS), a weekly in-work support which provides an income top-up for low earning full-time workers with children (see section 2 for a detailed description). It is the second such survey of this scheme, the first survey having been completed in 2005.

For the present survey, 600 randomly sampled FIS claims were reviewed to assess recipients' compliance with the rules of the scheme. The survey methodology is detailed in section 3.

The key results of this assessment are shown in Table 1 and further analysis is given in section 4.

Table 1 – Estimated Fraud and Error as a percentage of Family Income Supplement weekly expenditure ¹

Item	Gross rate	Appeals	Transferred claims	Net rate
Fraud and Error as % of spending	1.9%	0.0%	1.4%	0.5%
<i>As % of number of claims</i>	3.5%		0.8%	2.7%
Customer Fraud and Error	2.0%	0.0%	1.4%	0.6%
Customer Fraud	1.5%		0.9%	0.7%
Customer Error	0.4%		0.5%	-0.1%
Official Error	-0.1%	0.0%	0.0%	-0.1%
Overpayment	0.0%			0.0%
Underpayment	-0.1%			-0.1%

Source: DSP

In a high proportion of fraud and error cases, customers were found to have lost their FIS entitlement because they were no longer working the legal minimum 38 hours per fortnight needed for FIS eligibility. However, for the same reason, many of these customers then proved to be entitled to a Jobseeker or One-Parent Family payment, frequently at a higher rate than their original FIS claim. The number and value of these transferred claims explains the large difference between the gross (1.9%) and net (0.5%) rates of fraud and error found in the survey.

Expenditure on FIS during 2015 was €368 million, of which approximately €7 million was paid out in the survey week (ending 13th December 2015). Extrapolating from the survey results, we therefore estimate the monetary value of total scheme-wide fraud and error in that week at €0.04 million (net of transfers to other schemes). The low rate of fraud and error made it difficult to identify risk factors for incorrect benefit payments (see section 5).

Overall, the rate of fraud and error found for this scheme is significantly lower than the rates estimated for other working age income support schemes.

¹ Figures may not add due to rounding.

2. Characteristics of the Family Income Supplement Scheme

Overview

FIS is an in-work support which provides an income top-up for low earning employees with children. The objectives of FIS are:

- To minimise labour market disincentives for parents to take up work;
- To prevent in-work poverty among households with children; and
- To tackle child poverty through income support to children in low-income working households.

FIS has remained largely intact since its introduction in 1984, despite some evolution such as changes to the eligibility criteria in relation to hours worked and increases in income thresholds.

Some features of the scheme are outlined in the remainder of this section, and full details on the operation of the scheme are available at:

<http://www.welfare.ie/en/Pages/Family-Income-Supplement.aspx>.

Qualifying criteria and payment rates

To qualify for FIS, an earner must²:

- Be raising one or more qualifying children
 - Qualifying children must be aged under 18 (or between 18 and 22 if still in full-time education)
 - They must normally reside with and be financially supported by the claimant (though European Union (EU) provisions allow dependent children living outside Ireland but within the EU or European Economic Area (EEA) to count towards eligibility).
- Be a full-time employee
 - The employment must be registered in the State for income tax and PRSI and must be capable of lasting at least three months
 - At least 38 hours must be worked in each two week period of the employment (a couple may combine their hours of employment to meet the qualification criteria)
 - Changes of employer are permitted and do not need to be specifically notified.
- Earn less than an Effective Weekly Family Income Threshold determined by family size
 - In 2015, weekly income thresholds ranged from €506 for a family with one qualifying child to €1,298 for a family with eight qualifying children
 - The combined income of a couple is taken into account for FIS income assessment and most types of income are assessable. This includes income from employment, self-employment, pensions, property rental, investments, maintenance, and most social welfare payments other than supports to children.

The **rate of FIS** payable is *60% of the difference between the family size income threshold and the individual or couple's assessable income*, subject to a minimum payment to eligible recipients of €20 per week.

Annually fixed rate and possible in-year entitlement changes

A notable feature of the FIS scheme is that, once a claimant's eligibility and payment rate have been determined, payment generally continues at the same rate for 52 weeks from time of first payment.

² The legal and regulatory basis for the scheme is the Social Welfare (Consolidation) Act 2005 (as amended), primarily Part 6, and the Social Welfare (Consolidated Claims, Payments and Control) Regulations 2007 to 2014.

This means that **the rate of payment is not affected by an increase or a decrease in earnings** over that 52-week period, nor by a move from one employer to another while remaining in employment.

The principal factors which *can* lead to an in-year change in FIS entitlement are as follows:

- In-year **increase** in FIS entitlement
 - Birth, adoption (or other addition) of a qualifying child
 - Cessation of One-Parent Family payment (OFP) claim when youngest child reaches OFP age limit (*this leads to an increase in FIS as the OFP payment was previously included in the FIS income test*)
- In-year **cessation** of FIS entitlement
 - Deceased
 - No longer employed
 - Employed but number of hours worked falls below 38 hours per fortnight.

In the present survey, no cases with in-year entitlement changes due to increases in family size were found. However, **cessation of work or reduction in hours worked** was the reason for **nearly 60% of all changes in benefit entitlement** identified in the survey (including Normal Movement). Moreover, in many of these cases, this cessation of employment or reduction in hours worked led directly to an entitlement to another DSP benefit, such that the customer ultimately received a higher rate of benefit on the new scheme than they did on FIS. These results are described further in section 4.

Practical implications for control of scheme

As described above, although FIS is a weekly payment, eligibility and payment rates are established annually and extend for the year ahead, based on information available at the time of application or renewal.

In principle, therefore, control of the scheme has both an *annual* and an *in-year* component:

- *Annual checks at time of application or renewal*
 - Client identity
 - Personal and family circumstances, ensuring that predictable changes during the following 52 weeks are captured in DSP's systems
 - Correctness and adequacy of income information and other documentation
 - Correctness of benefit calculation.
- *In-year control risks*
 - Cessation of employment or reduction of hours worked below limit of 38 hours per fortnight

Legally, the obligation to fully and correctly declare all relevant information, income and personal circumstances at the time of application or renewal of a claim rests with the claimant, as does the obligation to notify the Department of material changes in employment circumstances.

However, the Department must put in place systems and checks that mitigate the risk of customer non-compliance, for example, through data-sharing arrangements with Revenue and through investigation of the possibility of collusion between claimants and employers.

Because the scheme rules place most attention onto the annual establishment of entitlement, in practice the Department's control effort is strongly focused on conducting thorough checks at the time of initial application or annual renewal.

As the survey results presented in section 4 show, once a FIS recipient stops being entitled to the payment due to reduced hours or cessation of employment, they will often become entitled to another social welfare payment, possibly at a higher rate. It would, therefore, be an inefficient use of resources to focus greater control effort on the in-year cessation or reduction of employment risk.

3. Methodology

Irish Statistical System Code of Practice

The Statistics and Business Intelligence Unit of the Department, a part of the Irish Statistical System, oversees the design, sample selection, analysis, and reporting of the Department's Fraud and Error surveys. The Chief Statistician ensures that these statistics are produced in an objective, transparent and independent manner, in line with the requirements of the Irish Statistical System Code of Practice³.

Survey principles

The Department, in agreement with the Comptroller & Auditor General (C&AG), applies the following principles to the design and implementation of Fraud & Error surveys:

- All cases for inclusion in the survey must be selected randomly from the population of cases in payment at a specific time;
- The sample size must be sufficiently large to yield reasonably reliable estimates;
- The reviews should be carried out as promptly as possible;
- Cases should be tested fully for all possible breaches of regulations;
- The monetary values of any changes as a result of the review, together with the monetary value of the sample, should be captured so that the results can be extrapolated to draw conclusions about the estimated value of the loss; and
- The results of the survey should be capable of being audited.

Sample selection

For the FIS survey, the Statistics and Business Intelligence Unit selected a representative stratified random sample of 600 FIS claims from the 55,875 claims in payment on 13th December 2015 ('the Fraud and Error sample'). This sample size was chosen in order to strike a right balance between the statistical power of the survey and the resource-intensive nature of the work by Social Welfare Inspectors and Deciding Officers required for determining the correct benefit entitlements of the selected claimants.

Survey procedures

Each case selected in the sample was assigned to a Social Welfare Inspector to conduct a review of the claim, complete a Means Reporting Form and to ensure that the customer completed and signed a means declaration. Completed survey material and customer files were submitted for examination, assessment and revised decision by a Deciding Officer⁴.

Two-phase sampling for employer survey

For all 600 claims, details of the claimants' employment were also verified. This was done using a two-phase sampling approach:

- 1) *Written survey forms* were sent to the employers of all 600 selected FIS recipients in order to verify both the correctness of the originally supplied information and to obtain up to date information on the number of hours being worked by the employee.
 - 480 written survey forms were returned by employers out of the 600 that issued and one employer was found to have ceased trading.

³ <http://www.isscop.ie/codeofpractice/>

⁴ Deciding Officers are appointed under statute to decide every question in relation to social insurance and social assistance provisions in the Social Welfare Acts.

2) *In-person inspections* were then conducted for some employers as follows:

- All 120 employers who *did not* respond to this written survey were visited in person by a Social Welfare Inspector and responses were obtained from all but 2 of these.
- Of those 480 employers who *did* respond to the written survey, 60 were randomly selected for a follow-up in-person inspection. This was to provide verification of the *trustworthiness* of the responses received in the written procedure.

The results of this in-person follow-up procedure were clear. In all the selected cases, the information obtained from the Social Welfare Inspector's visit to the employer agreed with the information previously submitted by the employer in writing. We can, therefore, conclude (with >99% confidence) that for the '*responding employers*' group, the **written procedure** and the **in-person inspections** yielded **equivalently trustworthy results**.

This finding is of interest for this and future surveys. However, it does not diminish the importance of in-person follow-up inspections of non-responding employers.

Categorisation of results

Fraud and error rates were calculated based on the decisions of the Deciding Officer in each case included in the survey sample.

- **Fraud or suspected fraud** arises where it appears to the Deciding Officer that the claimant knowingly gave false or misleading information or wilfully concealed relevant information.
- **Error** cases arise due to inadvertent customer, third party or official error.

These decisions were carefully reviewed by a DSP expert group, chaired by the Chief Statistician and including representatives of the Control Division and the FIS scheme area, before arriving at a final classification for each case.

'Gross' and 'net' rates of Fraud and Error

Fraud and Error rates may be quoted either as a *percentage of total scheme expenditure* (in the week the survey was initiated) or as a *percentage of the number of claims in payment* on that date.

- The **gross** rate refers to the position after account is taken of decreases or increases in weekly rate (including terminations of payment), and before transfers to other DSP schemes and the position post appeals of any cases affected. (Cases with an unchanged weekly rate but where a historical overpayment is identified only affect the *number of claims* rate).
- The **net** rate of Fraud and Error is the rate after taking account of transfers to other DSP payments and the post-appeals position of affected cases.

4. Results

Review outcomes were established for all 600 cases in the FIS sample, and the results of these reviews are detailed in Table 2 below.

Table 2 – Family Income Supplement Fraud and Error survey outcomes by type and number of cases

<i>Outcome</i>	<i>No. of cases</i>	<i>% of total</i>
Fraud & Error (net)	16	2.7%
Fraud & Error (gross)	21	3.5%
Total Customer Fraud & Error	16	2.7%
Customer Fraud	10	1.7%
<i>Ceased work or hours limit not met</i>	4	0.7%
<i>False declaration of means and family circumstances</i>	3	0.5%
<i>False declaration of means</i>	2	0.3%
<i>False declaration of family circumstances</i>	1	0.2%
Customer Error	6	1.0%
<i>Underreported means</i>	2	0.3%
<i>Ceased work or hours limit not met</i>	2	0.3%
<i>Commenced self-employment</i>	1	0.2%
<i>Asked for claim to be closed in response to inspection</i>	1	0.2%
Official Error	5	0.8%
Overpayment	0	0.0%
Underpayment	5	0.8%
<i>Calculation error</i>	5	0.8%
Customer Fraud or Error: transfers to other DSP schemes	-5	-0.8%
Customer Fraud or Error: successful appeals	0	0.0%
No Fraud or Error (net)	584	97.3%
No Fraud or Error (gross)	579	96.5%
Benefit Correct	567	94.5%
Normal Movement	12	2.0%
<i>Commenced self-employment (subsequent to survey week)</i>	1	0.2%
<i>Ceased employment (subsequent to survey week)</i>	3	0.5%
<i>Hours limit not met (subsequent to survey week)</i>	6	1.0%
<i>Client moved to Jobseeker's Benefit (subsequent to survey week)</i>	2	0.3%
Customer Fraud or Error: transfers to other DSP schemes	5	0.8%
Customer Fraud or Error: successful appeals	0	0.0%

Source: DSP

Fraud and Error

The overall fraud and error rate observed for this scheme – both as a percentage of scheme expenditure and as a percentage of the number of claims affected – is set out in tables 3 to 5.

In four of ten customer fraud cases and two of six customer error cases, the benefit change occurred because the customer either ceased working altogether or ceased working the legal minimum 38 hours per fortnight needed for FIS eligibility. However, because they were then either unemployed or

underemployed, four out of these six customers transferred onto another DSP benefit⁵. These benefits were, on average, payable at a higher rate than the original FIS claim.

Moreover, the FIS entitlement in all of these six ‘*ceased work or hours limit not met*’ cases ceased altogether, so that the average *gross* overpayment was €157 per week for these claims.

Meanwhile, of the remaining nine customer fraud or error cases, four saw their benefit marginally reduced rather than stopped altogether, so that the average overpayment for these cases was much lower at €64 per week.

These two factors explain the large difference between the gross (1.9%) and net (0.5%) rates of fraud and error as a percentage of *expenditure* found in the survey, and the smaller but still notable difference between the *number of cases* of fraud and error on a gross and net basis.

Table 3 – Gross and Net Fraud and Error by percentage of total weekly spending with 95% confidence intervals⁶

Item	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
Fraud and Error	0.63%	1.92%	3.20%	-0.70%	0.52%	1.75%
Customer Fraud and Error	0.69%	1.97%	3.25%	-0.65%	0.58%	1.80%
Customer Fraud	0.36%	1.53%	2.70%	-0.14%	0.68%	1.50%
Customer Error	-0.09%	0.44%	0.96%	-1.02%	-0.10%	0.81%
Official Error	-0.10%	-0.05%	0.00%	-0.10%	-0.05%	0.00%
Overpayment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Underpayment	-0.10%	-0.05%	0.00%	-0.10%	-0.05%	0.00%

Source: DSP

Table 4 – Gross and Net Fraud and Error by estimated total weekly overpayment with 95% confidence intervals⁶

Item	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
Fraud and Error	€47,140	€142,668	€238,195	-€52,446	€39,094	€130,633
Customer Fraud and Error	€51,068	€146,486	€241,903	-€48,540	€42,912	€134,364
Customer Fraud	€26,643	€113,985	€201,327	-€10,519	€50,530	€111,578
Customer Error	-€6,529	€32,501	€71,530	-€75,674	-€7,618	€60,438
Official Error	-€7,545	-€3,818	-€91	-€7,545	-€3,818	-€91
Overpayment	€0	€0	€0	€0	€0	€0
Underpayment	-€7,545	-€3,818	-€91	-€7,545	-€3,818	-€91

Source: DSP

As shown in Table 3 and Table 4, we found statistically significant results (at a 95% confidence level) for all *gross expenditure* metrics except the monetary value of customer error. However, among *net*

⁵ One each of the four moved to Jobseeker’s Benefit, Jobseeker’s Allowance, One-Parent Family payment and Rent Supplement.

⁶ Negative values (marked in red) mean that we cannot claim to have identified with 95% confidence a population-wide outcome that is different from the null hypothesis of a zero rate of Fraud and Error.

expenditure metrics, only the official error (underpayment) rate can be shown to be significantly different from zero⁷.

In terms of *number of cases affected*, Table 5 shows that significant results were obtained for all categories except customer error (net) and official error (overpayment – gross and net⁸).

Table 5 – Gross and Net Fraud and Error by percentage of claims affected with 95% confidence intervals⁶

Item	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
Fraud and Error	1.95%	3.50%	5.05%	1.29%	2.67%	4.04%
Customer Fraud and Error	1.29%	2.67%	4.04%	0.68%	1.83%	2.99%
Customer Fraud	0.56%	1.67%	2.77%	0.22%	1.17%	2.11%
Customer Error	0.12%	1.00%	1.88%	-0.07%	0.67%	1.40%
Official Error	0.02%	0.83%	1.64%	0.02%	0.83%	1.64%
Overpayment	-0.08%	0.00%	0.08%	-0.08%	0.00%	0.08%
Underpayment	0.02%	0.83%	1.64%	0.02%	0.83%	1.64%

Source: DSP

Official Error

Five official error cases were found. In all of these cases, a minor calculation error at the time the FIS claim was last awarded or renewed led to a small underpayment—the average underpayment was €8 per week, with a range from €3 to €13 per week.

Normal Movement

Twelve *normal movement* cases were identified. Of these, ten related to a cessation of employment or reduction in hours worked which occurred **after the target week for the survey**. The benefit level of these normal movement cases, prior to movement away from FIS, was judged to be correct.

Looking at these results, together with the customer fraud and error findings, in 59% or 16 out of 27 cases where the benefit entitlement was found to have changed, this change was due to cessation of employment or reduction in employment hours.

⁷ In other words, we can state with 95% confidence that the Department's expenditure *on the FIS scheme* (the 'gross' Fraud and Error rate) is higher than it would be with perfect knowledge of recipients' entitlements.

However, because a high proportion of the recipients who are not entitled to FIS are instead entitled to another DSP payment, we cannot be sure that the Department is spending any more *overall* across all schemes than it would be without any incorrect FIS benefit payments (the 'net' Fraud and Error rate). That is, our confidence interval includes the possibility that the Department is in a net underpayment position with respect to FIS.

⁸ Zero Official Error (overpayment) cases were detected, which is exactly in line with the null hypothesis that no such cases existed in the population. The confidence interval shown for this metric is thus simply a function of the sample size – by definition, a negative number of cases cannot exist, so the lower bound of the interval has no real-world significance.

5. Risk analysis

General approach

The sample was divided into two groups: those with and without a recorded adverse outcome. Chi-square tests were used to identify potential predictor variables for a fraud or error outcome from the administrative data for the scheme. Logistic regression models were then used to determine the strength of association with these candidate variables.

For this survey, we performed the analysis twice: once with *Customer Fraud or Error (yes/no)* as the outcome variable of interest, and once with *Official Error (yes/no)* as the outcome variable.

Risk analysis results

Because of the low number of fraud and error cases found in the survey, it was difficult to obtain any statistically significant results from this risk analysis..

6. Conclusions & Future Actions

Based on this survey, we estimate that the net cost of fraud and error for FIS in the week ending 13th December 2015 was 0.5% of expenditure. This is the lowest rate found for any working age income support scheme to date⁹.

The net rate of fraud and error (as a percentage of expenditure) was not calculated for the previous survey of FIS in 2005. However, the *gross* rate of fraud and error estimated in that earlier survey, at 3.3%, was significantly higher than the gross rate of 1.9% found in the present survey.

The large difference between the gross and net rates of fraud and error, as a percentage of expenditure, is explained by the high proportion of cases where a customer established an entitlement to another DSP benefit after receiving a fraud or error determination in respect of their FIS claim.

This pattern is, in turn, related to the high proportion of claims with an entitlement change where that change was as a result of a cessation of employment or a reduction in the number of hours worked.

The survey outcome supports the focus of the Department's control measures for the scheme on the verification of the information supplied each year when a claim is made or renewed. In this regard, staff and supervisors in FIS Section have been reminded of existing arrangements for quality control of FIS decisions, in order to minimise the risk of calculation errors in this busy operational area.

⁹ See footnote 1 on page 1.