

Farm Assist

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 such 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 Farm Assist scheme, which is one of a range of measures designed to provide income support to low-income farmers which, in turn, is intended to ensure the viability of rural communities. The scheme is open to people who are aged between 18 and 65, are actively farming land in the State and satisfy a means test¹.

For the present survey, 500 randomly selected cases in payment on 18th October 2015 were reviewed to assess recipients' compliance with the rules of the scheme.

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

Table 1 – Estimated Fraud and Error as a percentage of Farm Assist weekly expenditure ²

	Gross rate	Appeals	Transferred claims	Net rate
Fraud and Error as % of expenditure	10.6%	0.2%	0.0%	10.4%
As % of number of claims	46.8%	0.2%		46.6%
Customer Fraud and Error	8.9%	0.2%	0.0%	8.7%
Customer Fraud	6.2%	0.2%		6.0%
Customer Error	2.7%			2.7%
Official Error	1.7%	0.0%	0.0%	1.7%
Overpayment	4.2%			4.2%
Underpayment	-2.5%			-2.5%

(Source: DSP)

In October 2015 there were some 8,900 recipients of Farm Assist with total weekly expenditure of approximately €1.6 million. Extrapolating from the survey results, we therefore estimate the monetary value of total **scheme-wide fraud and error** in that week at **€0.17 million** (net of transfers to other schemes). Further details are given in section 4 below.

These results reflect the difficulty of ensuring correctness of benefit in relation to highly variable farm incomes (see sections 2 and 3 for more detail).

According to the risk analysis of these results presented in section 5, a Customer Fraud or Customer Error outcome was over twice as likely for customers with dependants than for those without. An Official Error outcome was more likely where the case was last reviewed more than a year ago, as well as for customers with adult dependants or those living in the South East, West or South West.

¹ For further information, please see <http://www.welfare.ie/en/Pages/Farm-Assist.aspx>

² Figures may not add due to rounding

2. Characteristics of the Farm Assist Scheme

Scheme design

Farm Assist is a weekly working-age means-tested payment for low income farmers. The rates of payment and general scheme rules are modelled on the Jobseeker's Allowance scheme³, but with two key differences:

- First, because the recipient is actively engaged in farming and thus not unemployed, there is no requirement to engage in labour market activation programmes or to be actively seeking work. This means that the degree of ongoing contact between the Department and the recipient is lower than is the case for Jobseeker's Allowance recipients.
- Second, the design of the means test for the Farm Assist scheme aims to take account of all elements that have an impact on net farm income, including local circumstances and land quality. In particular, the means assessment from farming is based on documentary evidence of income from farming in the year prior to the assessment and the Social Welfare Inspector's knowledge of the agricultural economy in her/his area, especially as regards marketing conditions and trends⁴.

Variability in farm incomes

Farm incomes can vary considerably from year to year and across the farm sectors, systems and type of farming activity, farm size and profitability.⁵ Changes in farm incomes occur largely outside the control of the person claiming Farm Assist. Short-term changes arise from variability in input costs (such as animal feeds, fertiliser, fuel, stocking and veterinary) and produce prices from animal, milk and grain sales and longer-term changes to EU and national farm supports. The weather is a major factor which affects the outputs and expenses of all farming sectors in Ireland and significantly influences farm profitability over short time periods. Incomes in 2015 were also affected by implementation of new arrangements under the Common Agricultural Policy (CAP) and changes in the Single Farm Payment implemented during 2015. This resulted in considerable variability in the level of grant payments received and affected the means of those receiving Farm Assist. The Department's processes for Farm Assist recognise the need for flexibility in a complex environment.

Effective annual basis of Farm Assist entitlement calculation and review process

A means assessment is undertaken by Inspectors when a new Farm Assist claim is being processed⁶. Thereafter, an annual declaration issues for completion by the Farm Assist recipient. Continued payment is contingent on the recipient's return of this declaration, and its assessment by Departmental staff (including referral for investigation if issues are identified that require a review of eligibility and means).

This annual declaration requires the claimant to declare that he or she has an ongoing entitlement to Farm Assist and to declare any change in means or family circumstances which may affect this entitlement⁷. Provision of this declaration does not automatically trigger a review of the claim and claims can remain in payment at the determined rate until a subsequent

³ <http://www.welfare.ie/en/Pages/Jobseekers-Allowance.aspx>

⁴ Sections 2.4 – 2.6 of <http://www.welfare.ie/en/Pages/Farm-Means---Assessment-of-Income-from-Farming.aspx>

⁵ <https://www.teagasc.ie/media/website/publications/2016/Income-Estimates-2015.pdf>

⁶ The application form for new claims is available at <http://www.welfare.ie/en/pdf/farm1.pdf>. In part 1 of the form, applicants declare that 'I/we will tell the Department when my/our means or circumstances change.'

⁷ <http://www.welfare.ie/en/Pages/Farm-Assist.aspx> (see Part 4)

review. However, where a review is determined to be warranted, on the basis of the information that is submitted on the annual declaration form, a claim is sent for investigation.

In general, the Department requires that Farm Assist claims are reviewed at least once every three years, or more frequently in the light of the annual declaration, bearing in mind resource constraints.

Additionally, claimants are required to notify their *Intreo Centre* of any change in their personal or family details, including any change of income⁸. While changes in farm incomes and costs can be temporary and reversible, changes in family circumstances tend to be longer-term.

Practical implications

In practice, the design of Farm Assist has been to provide a flexible response that reflects some key characteristics and complexities of the payment:

- Although Farm Assist provides a weekly payment, eligibility and payment rates are effectively established on an annually based on prior year profitability – this is similar to the treatment of other self-employed workers under the jobseeker’s allowance scheme;
- Farm means are difficult to establish with any degree of short-term certainty due to the variability outlined above. In the circumstances, from the point of view of a recipient, it may be difficult or impossible to know whether the rate of payment he or she is receiving is correct;
- Because of this, a recipient can reasonably assume that the farm-related means assessment established on the date the claim started or at the time the last review was carried out, remains valid for the following twelve months (unless they have ceased farming or completely changed their farming activity);
- However, the Department expects recipients to notify them of any other material change in their personal circumstances or in their own or their spouse’s employment income.

These factors have been taken into account in the categorisation of the results of this survey, as outlined in the next section.

⁸ <http://www.welfare.ie/en/Pages/Farm-Assist.aspx> (see Part 4)

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 Practice⁹.

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 Farm Assist survey, the Statistics and Business Intelligence Unit selected a stratified random sample of 500 Farm Assist claims in payment at 18th October 2015 ('the Fraud and Error sample'). It verified that this sample was representative of the Farm Assist recipient population profile and reflected the survey techniques and the resource-intensive nature of the inspections required for reviewing each claim. 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 inspections required for reviewing claims on this scheme and the complexities associated with determining payment rates.

Survey procedures

Each case selected in the sample was assigned to a SWI 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 Officer¹⁰.

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.

⁹ <http://www.isscop.ie/codeofpractice/>

¹⁰ Deciding Officers are appointed under statute to decide every question in relation to social insurance and social assistance provisions in the Social Welfare Acts

- **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 the Chief Statistician 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 affects 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.

Specific categorisation issues for Farm Assist

As described in section 2 above, the means assessment rules for the Farm Assist scheme are designed to capture farmers' circumstances and incomes. Farm income is variable by nature. On this basis, the following classification rules were used for cases where there is a change in benefit entitlement following the Deciding Officer's review (including changes in employment, means or circumstances of spouse where relevant):

- **Customer Fraud** includes all cases recorded by the Deciding Officer as 'fraud or potential fraud', and in the absence of specific evidence to the contrary. It also includes cases where:
 - Under a year has elapsed since the claim started or the last review was carried out but a *materially significant change*¹¹ in the **employment means** or *personal circumstances* has occurred; or
 - Over a year has elapsed since claim start or last review and a *materially significant change in means or personal circumstances* has occurred, particularly if the change relates to employment rather than farm means.
- **Customer Error** includes cases with no suspicion of fraud where:
 - Under a year has elapsed since claim start or last review and a *materially significant change in employment means or personal circumstances* has occurred; or

¹¹ Materiality was determined on a case-by-case basis having regard to the detailed expert views of inspectors and deciding officers. As guidance, *employment means or personal circumstances* changes were classified as material if they resulted in a *benefit rate change exceeding ±€30 per week*. Cases where these changes resulted in a *rate reduction of more than €100 per week* were generally categorised as Fraud rather than Error. *Farm means* changes resulting in a benefit rate change of more than ±€100 per week were always classified as material, while farm means changes leading to rate changes under ±€30 per week were generally classified as non-material. In the absence of other indications, most cases with Farm means changes leading to rate changes of between ±€30 and ±€100 per week were classified as non-material.

- Over a year has elapsed since claim start or last review and a *materially significant change in means or personal circumstances* has occurred which, on the balance of the evidence, appears to relate more to a customer than an official error.
- **Official Error** includes cases with no suspicion of fraud where:
 - Over a year has elapsed since claim start or last review and a *non-material change in means or personal circumstances* has occurred; or
 - Over a year has elapsed since claim start or last review and a *materially significant change in means or personal circumstances* has occurred, which, on the balance of the evidence, appears to relate more an official error (the lack of a timely case review) rather than any specific omission on the part of the customer.
- **Normal Movement** includes cases where either no change or a *non-material change in farm means* has occurred in the year since the claim start or last review.

4. Results

Review outcomes were established for all 500 cases in the Farm Assist survey sample, and the results of these reviews are detailed in Table 2 below.

Table 2 – Farm Assist Fraud and Error survey outcomes by type and number of cases

Outcome	No. of cases	% of total
Fraud & Error (net)	233	46.6%
Fraud & Error (gross)	234	46.8%
Total Customer Fraud & Error	57	11.4%
Customer Fraud	33	6.6%
Underreported means	23	4.6%
Documents not supplied	4	0.8%
Failed to attend for interview	2	0.4%
Not at address	1	0.2%
Private pension not declared	1	0.2%
Working while claiming benefit	2	0.4%
Customer Error	24	4.8%
Underreported means	19	3.8%
Customer requested termination	1	0.2%
Spouse income underreported	4	0.8%
Official Error	177	35.4%
Overpayment	110	22.0%
Over 1 year since last review, entitlement changed	106	21.2%
Interaction with spouse's benefit	3	0.6%
Spouse income reported by client but benefit not changed	1	0.2%
Underpayment	67	13.4%
Over 1 year since last review, entitlement changed	67	13.4%
Customer Fraud or Error: transfers to other DSP schemes	0	0.0%
Customer Fraud or Error: successful appeals	-1	-0.2%
No Fraud or Error (net)	267	53.4%
No Fraud or Error (gross)	266	53.2%
Benefit Correct	159	31.8%
Normal Movement	107	21.4%
Under 1 year since last review, change not material	92	18.4%
Ceased farming	1	0.2%
Claim closed by client	1	0.2%
Commenced employment	2	0.4%
Transferred to other DSP scheme	9	1.8%
Underreported means	1	0.2%
Farm circumstances changed	1	0.2%
Customer Fraud or Error: transfers to other DSP schemes	0	0.0%
Customer Fraud or Error: successful appeals	1	0.2%

(Source: DSP)

Normal Movement

The number of Normal Movement cases was 21.4% of all cases sampled (107 cases). Ninety-two or 86% of these cases related to people whose claim had been reviewed less than a year ago but where the means assessment for this survey led to a changed benefit entitlement (see

classification strategy outlined in section 3 above). Benefit levels increased in 39% of these cases and decreased in 61%.

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 the following tables. 95% confidence intervals are provided for all tables, showing that statistically significant results were obtained for all metrics except the monetary value of Customer Error and Official Error (overpayment).

Table 3 – Gross and Net Fraud and Error by percentage of total weekly spending with 95% confidence intervals¹²

	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
Fraud and Error (% of expenditure)	7.01%	10.61%	14.20%	6.81%	10.39%	13.96%
Customer Fraud and Error						
Customer Fraud	4.86%	8.88%	12.90%	4.55%	8.65%	12.76%
Customer Error	4.17%	6.19%	8.20%	3.95%	5.96%	7.98%
Official Error	-1.85%	2.69%	7.23%	-2.06%	2.69%	7.44%
Overpayment	-0.19%	1.73%	3.65%	-0.19%	1.73%	3.65%
Underpayment	2.72%	4.24%	5.76%	2.72%	4.24%	5.76%

(Source: DSP)

Table 4 – Gross and Net Fraud and Error by estimated total weekly overpayment with 95% confidence intervals¹²

	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
Fraud and Error (monetary value)	€112,402	€170,074	€227,746	€109,227	€166,522	€223,816
Customer Fraud and Error						
Customer Fraud	€77,877	€142,330	€206,784	€73,033	€138,778	€204,522
Customer Error	€66,842	€99,178	€131,515	€63,289	€95,625	€127,962
Customer Error	-€29,667	€43,152	€115,972	-€33,031	€43,152	€119,335
Official Error	-€3,010	€27,744	€58,498	-€3,010	€27,744	€58,498
Overpayment	€43,583	€67,979	€92,375	€43,583	€67,979	€92,375
Underpayment	-€70,989	-€40,235	-€9,481	-€70,989	-€40,235	-€9,481

(Source: DSP)

Table 5 – Gross and Net Fraud and Error by percentage of claims affected with 95% confidence intervals¹²

	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
Fraud and Error (number of claims)	42.13%	46.60%	51.07%	42.53%	47.00%	51.47%
Customer Fraud and Error						
Customer Fraud	8.51%	11.40%	14.29%	8.69%	11.60%	14.51%
Customer Fraud	4.32%	6.60%	8.88%	4.49%	6.80%	9.11%
Customer Error	2.83%	4.80%	6.77%	2.83%	4.80%	6.77%
Official Error	31.11%	35.40%	39.69%	31.11%	35.40%	39.69%
Overpayment	18.27%	22.00%	25.73%	18.27%	22.00%	25.73%
Underpayment	10.31%	13.40%	16.49%	10.31%	13.40%	16.49%

(Source: DSP)

¹² 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.

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

In terms of risk categories, the survey highlights the following:

- Customer fraud or error was found to be over twice as likely when a claimant was in receipt of additional allowances in respect of qualified child or adult dependants; and
- An official error outcome was more likely where the case was last reviewed more than a year ago, as well as for customers with adult dependants or those living in the South East, West or South West.

6. Conclusions & Future Actions

Conclusions

Based on this survey, we estimate that the net cost of Fraud and Error for Farm Assist in October 2015 was 10.4% of expenditure. This reflects the nature of the support offered by the scheme, the expected flexibility in a scheme of this type and the variability in farm income noted in the preceding period. While nearly half of all claims examined were affected by Fraud or Error, it is worth noting that nearly a third was found to be receiving a lower rate of payment than they were entitled to receive.

These results reflect a scheme designed to provide a flexible response to a complex operating environment with associated risks. The rules of the scheme are designed to accommodate the high variability and complexity of establishing farming incomes, coupled with a relatively low level of interaction between recipients and the Department, in comparison with other weekly means-tested income supports schemes.

Compared to more recent surveys of this type, the rate of Fraud and Error is considered to be high, both reflecting the flexibility built into the scheme design and the complexity of the operating environment. These factors, coupled with the less frequent interaction between recipients and the Department in comparison with other schemes reflects the fact that the recipient is actively engaged in farming and not unemployed. The rates of both overpayment and underpayment arising from Official Error highlight the difficulty of ensuring correctness of benefit in relation to highly variable farm incomes.

Future Actions

In light of the survey conclusions, the Department will continue to review and enhance its control policies around the operation of the Farm Assist scheme. In particular, the recently implemented annual declaration and review process will be maintained and enhanced with more focused control work on the categories of claimants where higher fraud and error outcomes have been identified.

Over the past year or so, the annual review process for Farm Assist has been comprehensively changed to incorporate several elements of means which had not previously been sought and examined during the annual review stage. This revised annual declaration process requires all recipients to make a return to the Department with supporting documentation as to income over the preceding year.

All annual declarations are examined by Deciding Officers and referred for further investigation where this is considered warranted. Additionally, a review by an inspector is carried out at least once every three years, as resources permit. In this context, a reminder will issue to all staff in the coming weeks regarding the key controls that must apply.

In addition to the updated procedures for reviews and inspections, the Department will enhance the review framework which supports the identification of cases where income levels are likely to be particularly susceptible to change. This capacity has been enabled through the development of farm sector category codes on the Departments' payment systems which allow for the identification of a farming sector on a Farm Assist claim. The codes now allow for the

targeting of review and/or control activity on claims with specific activity in Dairying, Beef, Sheep, Tillage, Pigs, and Poultry farming. Following discussions with the Department of Agriculture and others, the Department will develop a policy around which sectors merit closer attention and review based on their economic performance in recent times and this will be rolled out over the coming months.

Finally, the Department will examine the current cohort of claimants on Farm Assist to establish their most recent review dates and all cases which have not been reviewed within the last 3 years will be prioritised for review before the end of 2016.

END