

## **Household Benefits**

### **Fraud & Error Survey 2016**

#### **Household Benefits Package(Only) Recipients**

**July 2016**



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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 Household Benefits scheme, which provides recipients with free Television Licences and contributions towards electricity or gas bills ('the Household Benefits package')<sup>1</sup>. Because over 93% of people who receive the Household Benefits package also receive a weekly Social Welfare payment, this survey is focused on people who receive the Household Benefits Package *only*, i.e. the 7%. Household Benefits package eligibility reviews will also be included in upcoming Fraud and Error surveys of State Pension (contributory), Carer's Allowance, State Pension (non-contributory) and Disability Allowance. Together with this survey, these reviews will cover some 80% of Household Benefits Package recipients by early 2019 (see section 2 below).

For the present survey, a stratified random sample of 500 *Household Benefits package (only)* cases in payment in November 2015 was drawn up, and all these cases 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 Household Benefits monthly expenditure<sup>2</sup>**

	Gross rate	Appeals	Transferred claims	Net rate
<b>Fraud and Error as % of expenditure</b>	<b>6.4%</b>	<b>0.0%</b>	<b>1.0%</b>	<b>5.4%</b>
<i>As % of number of claims</i>	<i>9.0%</i>		<i>1.0%</i>	<i>8.0%</i>
<b>Customer Fraud and Error</b>	<b>1.8%</b>	<b>0.0%</b>	<b>0.4%</b>	<b>1.4%</b>
Customer Fraud	0.6%			0.6%
Customer Error	1.2%		0.4%	0.8%
<b>Official Error</b>	<b>4.6%</b>	<b>0.0%</b>	<b>0.6%</b>	<b>4.0%</b>
Overpayment	4.6%		0.6%	4.0%
Underpayment	0.0%			0.0%

(Source: Department of Social Protection)

In November 2015, there were some 31,000 Household Benefits package (only) recipients. Extrapolating from the survey results, we estimate the monetary value of total scheme-wide fraud and error for that group in that month at **€0.06 million** (net of transfers to other schemes).

This rate of Fraud and Error mainly reflects the difficulty of ensuring timely changes to Household Benefits package entitlements when recipients move address or die (see sections 2 - 4 for details). The relative remoteness of the Household Benefits package (only) recipients from the Department means that they constitute a riskier than average subgroup of the 420,000 people receiving Household Benefits. No further statistically significant predictive risk factors were found within this group, however (see section 5).

<sup>1</sup> For further information, please see section 2 and <http://www.welfare.ie/en/Pages/Household-Benefits-Package.aspx>.

<sup>2</sup> Figures may not add due to rounding.

## 2. Characteristics of the Household Benefits scheme

### *The Household Benefits package*

The Household Benefits package is a non-statutory scheme which entitles qualifying recipients to two benefits:

1. **Electricity or Gas allowance worth €35 per month** – this may be paid either as a credit on the recipient's gas or electricity bill, or as a cash allowance (by electronic funds transfer or through the recipient's local post office).
2. **Free Television Licence** – the Department notifies An Post that the recipient is entitled to a Free Television Licence as long as he or she remains entitled to the Household Benefits Package.

To qualify for the Household Benefits package, a person must be:

- Permanently resident in the State
- Living in self-contained accommodation (not in a nursing home or retirement home)
- The only person in a household claiming the Household Benefits package (and the registered consumer of electricity or gas if claiming an Electricity or Gas Allowance).

Once these conditions are satisfied, the Household Benefits package is available to:

- Everyone aged 70 or over (regardless of means or pension status)
- People aged from 66 to 69 who are receiving one of a number of specified pensions and allowances<sup>3</sup>, or who satisfy a means test<sup>4</sup>, and who are living alone or with 'excepted people'
- People aged under 66 who are receiving one of a number of qualifying working age payments<sup>5</sup> and who are living alone or with 'excepted people'.

### *Household benefits recipients and primary DSP schemes*

The qualifying conditions for receipt of the Household Benefits package mean that a very large majority of recipients also receive a weekly 'primary' payment from the Department:

- Most people aged 66 or over receive either State Pension (contributory or non-contributory), or a Widow(er)'s or surviving civil partner's pension (contributory or non-contributory).
- The qualifying payments that enable people under 66 to access the Household Benefits scheme are overwhelmingly illness, disability and carer supports from the Department of Social Protection, principally Disability Allowance, Carer's Allowance and Invalidity Pension.

Overall, this means that some 93% of all Household Benefits package recipients are also recipients of a weekly working age or pension payment from the Department of Social Protection (see Table 3 below).

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<sup>3</sup> See <http://www.welfare.ie/en/Pages/Household-Benefits.aspx>

<sup>4</sup> See <http://www.welfare.ie/en/Pages/Means-Assessment.aspx> for details

<sup>5</sup> See <http://www.welfare.ie/en/Pages/Household-Benefits.aspx>

Table 3 - Household Benefits package recipients by primary scheme

Main Scheme	Number of Recipients	Percent
State Pension Contributory	179,510	43%
Widow(er)'s Contributory Pension	68,018	16%
State Pension Non Contributory	54,826	13%
Disability Allowance	41,577	10%
Carers Allowance	26,362	6%
Invalidity Pension	19,252	5%
Household Benefits (only <sup>6</sup> )	31,299	7%
<b>Total</b>	<b>420,844</b>	<b>100%</b>

(Source: Department of Social Protection)

Because of this, the Department's plan in relation to assessing the Fraud and Error risk arising from the Household Benefits Package scheme has two components:

- **Dedicated survey of Household Benefits package (only) recipients** – a dedicated survey is the only way to ensure that Fraud and Error risk is assessed for this subgroup which have higher-risk profile than other recipients of the Household Benefits package.
- **Inclusion of Household Benefits entitlement reviews in other Fraud and Error reviews** – Fraud and Error reviews of a number of relevant schemes are planned over the next three years. These will yield cumulative survey coverage of approximately 50% of all Household Benefits package recipients by end 2016 and 80% by early 2019.

Table 4 - Fraud and Error surveys incorporating Household Benefits entitlement reviews

Scheme to be surveyed	Survey commencement	Survey completion	Cumulative coverage
<i>Household Benefits (only)</i>	Q1 2016	Q3 2016	7%
State Pension (contributory)	Q1 2016	Q4 2016	50%
Carer's Allowance	Q1 2016	Q2 2017	56%
State Pension (non-contributory)	Q1 2017	Q1 2018	69%
Disability Allowance	Q4 2017	Q1 2019	79%

(Source: Department of Social Protection)

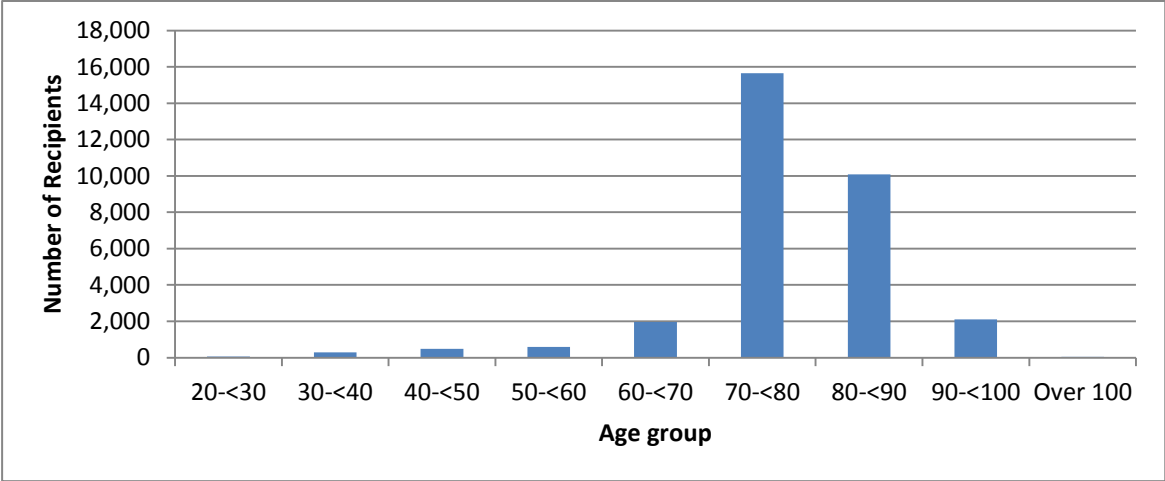
### **Age profile of Household Benefits package (only) recipients<sup>6</sup>**

The age profile of the *Household Benefits package (only)* recipient population is summarised in Figure 1. The high average age means that the availability of timely information in relation to recipients who move to a nursing home or die is important to managing control risk for this cohort<sup>7</sup>.

<sup>6</sup> Strictly, some of these clients are also recipients of one of a group of other, smaller, DSP schemes.

<sup>7</sup> Data matches are carried out with General Register Office (GRO), the central civil repository for records relating to births, stillbirths, adoptions, marriages, civil partnerships and deaths in Ireland. Data matches are also undertaken with the HSE (Fair Deal) as part of the control strategy for the scheme.

Figure 1 - Household Benefits package (only) recipients by age group



(Source: Department of Social Protection)

### 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 Practice<sup>8</sup>.

#### *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 Household Benefits survey, the Statistics and Business Intelligence Unit matched the Household Benefits recipient database against the recipient databases for the six primary Department of Social Protection weekly payment schemes, resulting in matches for some 93% of recipients (see Table 3 for details).

From the remaining cases, the Unit selected a stratified random sample of 500 Household Benefits claims in payment at the start of November 2015 ('the Fraud and Error sample'). It verified that this sample was representative of the *Household Benefits package (only)* recipient population profile.

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.

#### *Survey procedures*

Each sample case was assigned to an Investigating Officer to conduct a full review of the claim. Completed survey material and customer files were submitted for examination, assessment and revised decision by a Deciding Officer in the Household Benefits Unit.

#### *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 the Chief Statistician before arriving at a final classification for each case.

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<sup>8</sup> <http://www.isscop.ie/codeofpractice/>



### ***'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 monthly rate (including terminations of payment), and before transfers to other Department of Social Protection 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 Department of Social Protection payments and the post-appeals position of affected cases.

### ***Valuation of changes in benefit entitlement***

The two components of the Household Benefits package have the following values:

1. Electricity or Gas allowance
  - €35 per month
2. Free Television Licence
  - A saving to the customer of the annual cost of a television licence (currently €160 per year)

There is no marginal cost or saving to the Department in relation to the addition or removal of a Free Television Licence entitlement because payment for this benefit is made in the form of monthly block grants from the Department and Social Insurance Fund to the Department of Communications, Energy and Natural Resources.

Accordingly, we have valued the monthly cost of Fraud or Error for the purposes of this review at €35 for the Electricity or Gas allowance, and zero for the Free Television Licence.

Cases of Fraud or Error where only a Free Television Licence entitlement was affected are still included in the *number of cases* totals for this survey.

## 4. Results

Review outcomes were established for all 500 cases in the survey sample, and the results of these reviews are detailed in Table 5 below.

Table 5 – Household Benefits Fraud and Error survey outcomes by type and number of cases

<b>Outcome</b>	<b>No. of cases</b>	<b>% of total</b>
<b>Fraud &amp; Error (net)</b>	<b>40</b>	<b>8.0%</b>
<b>Fraud &amp; Error (gross)</b>	<b>45</b>	<b>9.0%</b>
Total Customer Fraud & Error	9	1.8%
Customer Fraud	3	0.6%
<i>Not resident in State</i>	3	0.6%
Customer Error	6	1.2%
<i>Disqualifying child(ren) residing with claimant</i>	2	0.4%
<i>Whereabouts not known</i>	1	0.2%
<i>Not resident in State</i>	1	0.2%
<i>Deceased - spouse now eligible</i>	1	0.2%
<i>Nursing home - spouse now eligible</i>	1	0.2%
Official Error	36	7.2%
Overpayment	36	7.2%
<i>Deceased</i>	3	0.6%
<i>Deceased - electricity account changed but TV licence not updated</i>	3	0.6%
<i>Deceased - primary payment stopped but HHB not updated</i>	1	0.2%
<i>Moved</i>	2	0.4%
<i>Moved - TV licence not updated</i>	4	0.8%
<i>Moved - electricity account changed but TV licence not updated</i>	2	0.4%
<i>Moved - primary payment stopped but HHB not updated</i>	7	1.4%
<i>Not resident in State</i>	3	0.6%
<i>Nursing home, single or widowed</i>	7	1.4%
<i>Other DSP claimant at same address</i>	1	0.2%
<i>Claim transferred to spouse</i>	2	0.4%
<i>Prison - HHB not updated</i>	1	0.2%
Underpayment	0	0.0%
<b>Customer Error: Spouse now awarded HHB</b>	<b>-2</b>	<b>-0.4%</b>
<b>Official Error: Spouse now awarded HHB</b>	<b>-3</b>	<b>-0.6%</b>
<b>No Fraud or Error (net)</b>	<b>460</b>	<b>92.0%</b>
<b>No Fraud or Error (gross)</b>	<b>455</b>	<b>91.0%</b>
Benefit Correct	437	87.4%
Normal Movement	18	3.6%
<i>Not resident in State</i>	2	0.4%
<i>Deceased</i>	10	2.0%
<i>Moved</i>	1	0.2%
<i>Nursing home</i>	5	1.0%
<b>Customer Error: Spouse now awarded HHB</b>	<b>2</b>	<b>0.4%</b>
<b>Official Error: Spouse now awarded HHB</b>	<b>3</b>	<b>0.6%</b>

(Source: Department of Social Protection)

### ***Normal Movement***

The number of Normal Movement cases found by the survey was at 3.6% of all cases sampled. These overwhelmingly related to people who had died, left the State, moved house or moved to a Nursing Home, but where the benefit was correct before the change in circumstances occurred.

## Fraud and Error

The overall Fraud and Error rate observed for *Household Benefits package (only)* recipients is shown both as a percentage of expenditure (Table 6 & 7) and as a percentage of the number of claims affected (Table 8). 95% confidence intervals are provided for all tables, showing that statistically significant results were obtained for all metrics except Customer Fraud. There is a very low estimated level of intentional wrongful claiming of the Household Benefits package, and conversely the large majority of Fraud and Error cases found were Official Error resulting from the difficulty of ensuring timely changes to Household Benefits package entitlements as mentioned earlier.

Table 6 – Gross and Net Fraud and Error by percentage of total monthly spending with 95% confidence intervals<sup>9</sup>

	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
<b>Fraud and Error (% of expenditure)</b>	4.62%	<b>6.40%</b>	8.18%	3.79%	<b>5.40%</b>	7.01%
Customer Fraud and Error	0.63%	<b>1.80%</b>	2.97%	0.37%	<b>1.40%</b>	2.43%
Customer Fraud	-0.08%	0.60%	1.28%	-0.08%	0.60%	1.28%
Customer Error	0.25%	1.20%	2.15%	0.02%	0.80%	1.58%
Official Error	2.76%	<b>4.60%</b>	6.44%	2.28%	<b>4.00%</b>	5.72%
Overpayment	2.76%	4.60%	6.44%	2.28%	4.00%	5.72%

(Source: Department of Social Protection)

Table 7 – Gross and Net Fraud and Error by estimated total monthly overpayment with 95% confidence intervals<sup>9</sup>

	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
<b>Fraud and Error (monetary value)</b>	€50,569	€70,110	€89,651	€41,572	€59,155	€76,739
Customer Fraud and Error	€6,952	€19,718	€32,484	€4,055	€15,337	€26,618
Customer Fraud	-€843	€6,573	€13,988	-€843	€6,573	€13,988
Customer Error	€2,690	€13,146	€23,601	€210	€8,764	€17,318
Official Error	€30,277	€50,391	€70,506	€25,003	€43,819	€62,635
Overpayment	€30,277	€50,391	€70,506	€25,003	€43,819	€62,635

(Source: Department of Social Protection)

Table 8 – Gross and Net Fraud and Error by percentage of claims affected with 95% confidence intervals<sup>9</sup>

	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
<b>Fraud and Error (number of claims)</b>	6.39%	9.00%	11.61%	5.52%	8.00%	10.48%
Customer Fraud and Error	0.53%	1.80%	3.07%	0.27%	1.40%	2.53%
Customer Fraud	-0.18%	0.60%	1.38%	-0.18%	0.60%	1.38%
Customer Error	0.15%	1.20%	2.25%	-0.08%	0.80%	1.68%
Official Error	4.83%	7.20%	9.57%	4.32%	6.60%	8.88%
Overpayment	4.83%	7.20%	9.57%	4.32%	6.60%	8.88%

(Source: Department of Social Protection)

<sup>9</sup> 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, then logistic regression models were used to determine strength of association with these candidate variables.

For this survey, we performed this 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.

### ***No statistically significant predictor variables***

The present survey was targeted at the 7% of Household Benefit (only) package claimants who are not recipients of a primary Department of Social Protection benefit.

Recipients of the Household Benefit package are considered to be a low risk population relative to other schemes funded and managed by the Department. This survey targeted what was identified as the riskier sub-group of recipients of the Household Benefits scheme, due to their greater remoteness from the Department compared to those who are also recipients of another weekly social welfare payment.

## 6. Conclusions and recommendations

### *Conclusions*

The survey covers 7% of all Household Benefits package recipients who are not in receipt of a weekly Social Welfare payment. The survey estimated that the level of Fraud and Error for recipients is 5.4% of total expenditure for people receiving the Household Benefit package (only) within the Household Benefits scheme.

Three quarters of the overpayments found were categorised as Official Error. This arises mainly from the difficulty of ensuring timely changes to Household Benefits package entitlements when recipients move address, move into a nursing home, or die. This, in turn, reflects the greater remoteness from the Department overall of the *Household Benefits package (only)* group compared to the 93% of Household Benefits package recipients who also receive another weekly social welfare payment.

As outlined earlier, the Department's plan in relation to assessing the fraud and error risk for the Household Benefits Package scheme has two components:

- Dedicated survey of household Benefit package (only) recipients – a dedicated survey is the only way to ensure that Fraud and Error risk is assessed for this subgroup which have a higher risk profile than other recipients in the Household Benefits package;
- Inclusion of household Benefits entitlement reviews in other Fraud and Error surveys. Household Benefits package entitlements will be included with Fraud and Error surveys of a number of large schemes over the coming years – State Pension (contributory), Carer's Allowance, State Pension (non-contributory) and Disability Allowance. Together with the present survey, this will allow the Department to assess the Fraud and Error risk for some 80% of all Household Benefits package recipients.

A number of control actions have been specifically identified as part of the control strategy to reduce the Fraud and Error risk of both the *Household Benefits package (only)* group and for Household Benefits package recipients in general. A key element of this strategy targets the Household Benefits package (only) group to improve assurances around their continuing eligibility and the identification of changed circumstances via data matches and random reviews. Additionally, the Department is in the process of implementing enhanced automated notifications from internal and external systems to update the Household Benefits package scheme. These system changes are expected to be completed by the end of 2016.

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