



**An Roinn Coimirce Sóisialaí**  
**Department of Social Protection**

**State Pension (Contributory)**

**2016 Fraud & Error Survey**

*Published June 2017*

## Table of Contents

1. Summary .....	1
2. Characteristics of the State Pension (Contributory) Scheme .....	2
Overview .....	2
Qualifying criteria .....	2
Long-term scheme.....	2
Increases payable to SPC recipients.....	3
Non-resident recipients.....	3
3. Methodology.....	4
Irish Statistical System Code of Practice .....	4
Survey principles .....	4
Sample selection .....	4
Survey procedures.....	4
Additional analysis for non-resident cases.....	5
Categorisation of results .....	6
‘Gross’ and ‘net’ rates of Fraud and Error.....	6
4. Results .....	7
5. Risk analysis.....	10
General approach.....	10
Risk analysis results .....	10
6. Conclusions & Future Actions .....	11
Greater risk from cases with Increase for Qualified Adult.....	11
Control of SPC paid to people resident abroad.....	11
Ongoing control activity for SPC.....	11
Appendix 1: Household Benefits Package (HHB) eligibility analysis.....	13

## 1. Summary

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

This survey was undertaken on the State Pension (Contributory) (SPC) scheme, Ireland's largest State pension scheme (see section 2)<sup>1</sup>. For the survey, 600 randomly sampled SPC claims in payment on 31st May 2016 were reviewed to assess recipients' compliance with the rules of the scheme (see section 3).

The estimated rate of Fraud and Error for the SPC scheme as a whole, including increased payments for qualified adults (IQA), was **2.0% of total expenditure**, or **€1.8 million out of €86.0 million** paid out in the survey week (see Table 1 and section 4).

**Table 1 – Estimated Fraud and Error as a percentage of State Pension (Contributory) weekly expenditure<sup>2</sup>**

Item	Gross rate	Appeals	Transferred claims	Net rate
<b>Fraud and Error as % of spending</b>	<b>2.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.0%</b>
<i>As % of number of claims</i>	<i>4.7%</i>		<i>0.0%</i>	<i>4.7%</i>
<b>Customer Fraud and Error</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.6%</b>
Customer Fraud	0.2%		0.0%	0.2%
Customer Error	0.3%		0.0%	0.3%
<b>Official Error</b>	<b>1.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>1.5%</b>
Overpayment	1.5%			1.5%
Underpayment	0.0%			0.0%

*Source: DSP*

As outlined in section 5, means-tested increased payments in respect of IQAs were found to be by far the largest source of Fraud and Error, accounting for 88% of all Fraud or Error by overpayment value and well over half by number of claims affected.

In section 6, we describe a set of actions to be included in the programme of SPC control activities already being undertaken to reflect the conclusions drawn from the survey results.

An analysis of the Household Benefits Package (HHB) component of SPC recipients' payments showed a 0.3% rate of Fraud or Error in relation to those entitlements (see Appendix 1).

<sup>1</sup> This is the second such survey of this scheme, the first survey having been completed in 2008. Methodological changes mean that results from the previous survey are not readily comparable with those presented here.

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

## 2. Characteristics of the State Pension (Contributory) Scheme

### *Overview*

The State Pension (Contributory) (SPC) is Ireland's social insurance based old age pension benefit. Expenditure on SPC during 2016 was €4,663 million, making SPC the largest single social protection scheme in Ireland.

SPC is payable from the State Pension age (currently 66 years of age) to people who have made sufficient social insurance contributions. It is payable regardless of whether a person is resident in Ireland. It is not means-tested, though additional means-tested payments may be made to recipients with a qualifying adult dependant. 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/860\\_State-Pension-Contributory.aspx](http://www.welfare.ie/en/Pages/860_State-Pension-Contributory.aspx)

The Household Benefit package is also available to SPC recipients who meet the eligibility criteria for the package (see Appendix 1).

### *Qualifying criteria*

To be eligible for a state pension (contributory) at age 66, an applicant must:

- have entered insurable employment before attaining the age of 56 years;
- have at least 520 paid contribution weeks since entry into insurable employment or self-employment;
- (for a maximum rate pension) have a yearly average of 48 paid and/or credited contributions from 1979, or from their date of entry into insurable employment, to the end of the last complete tax year preceding their 66th birthday; or
- (for a reduced rate pension) have a yearly average of at least 10 paid and/or credited contributions recorded from 1953, or from the applicant's date of entry into insurable employment (whichever is the later), to the end of the tax year preceding their 66th birthday.

Rates of entitlement vary depending on the extent of a claimant's contribution history. Pro-rata pensions are payable where mixed, intermittent, or partial international insurance contribution histories exist.

### *Long-term scheme*

As with similar pension schemes worldwide, SPC is a very long-term benefit that remains payable throughout a recipient's lifetime from age 66 onwards. Disallowance or termination of an established primary SPC entitlement generally only occurs where there is a discrepancy in the original decision-making process involving the social insurance record underpinning that decision, non-compliance with a legislative requirement, or due to the death of the recipient.

Once SPC is awarded, there is a legal obligation on every SPC claimant and, where relevant, their qualified adult dependant, executor, or personal representative, to notify the Department of any change in their circumstances that might impact on their rate of entitlement.

From a control perspective, the most urgently required notifications are those notifying the Department of the death of a primary recipient, or their qualified adult dependant, in order that

timely adjustments can be made to on-going SPC payments. For Irish residents, the death notification process is augmented by data sharing with the General Registry Office (GRO).

### ***Increases payable to SPC recipients***

The primary SPC recipient’s payment (‘personal rate’) is entirely contribution-based. However, additional increases may be payable based on the primary recipient’s personal circumstances. The most significant of these is a means-tested increase payable in respect of a dependant qualified adult (IQA)<sup>3</sup>. The average weekly payment in respect of a qualified adult at the end May 2016 was €175.60.

SPC recipients can claim an IQA increase where their spouse/civil partner/co-habitant is wholly or mainly maintained by them and the adult dependant satisfies a means test. An IQA increase is payable at the maximum rate where the adult dependant’s weekly means are €100 or less. Where the weekly means are between €100 and €310, a tapered rate is payable. No increase is payable where the qualified adult’s weekly means is in excess of €310. For the purposes of the means test, half the value of jointly-held assets or investments is assessed against the adult dependant, together with the full value of any income/assets they hold in their own name. Increases for qualified adults are made directly to the beneficiary or to the SPC recipient, if so directed by the qualified adult.

### ***Non-resident recipients***

SPC recipients are entitled to payment regardless of country of residence. Certain qualifying increases are also payable outside the State, such as an increase for a qualified adult and an increase for living alone.

This means that, to ensure that the Department is notified in a timely manner of changes in a non-resident recipient’s circumstances, the Department must rely on a rolling cycle of direct enquiries with SPC recipients, known as a Continuing Eligibility (CE) Certification process. Under this process, a selected cohort of pensioners residing outside Ireland will receive CE Certificates annually which must be completed, witnessed by a third party, and returned within a set timeframe. Failure to do so will result in payments being stopped.

Using statistical techniques, information from the SPC 2016 CE process has been used to supplement the results of this Fraud and Error survey for recipients living abroad (see section 3).

**Table 2 - Number of SPC Recipients by IQA status and Resident/Non-resident status, end May 2016**

	<b>Total</b>	<b>Resident in Ireland</b>	<b>Resident outside Ireland</b>
<b>SPC primary recipients</b>	<b>367,254</b>	322,148	45,106
<i>Of whom</i>			
Recipients with Increase for Qualified Adult (IQA)	67,362	61,861	5,501

*Source: DSP*

<sup>3</sup> Other additional payments are available to SPC claimants who have dependent children, who live past 80 years, who live on certain islands and/or who live alone.

### 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>4</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 SPC survey, the Statistics and Business Intelligence Unit selected a representative stratified random sample of 600 SPC claims from the 367,254 claims in payment on 31<sup>st</sup> May 2016 ('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*

For this survey, desk reviews of the original assessment of eligibility and calculation of the payment rate were carried out.

In addition, each case selected in the sample was assigned to a Social Welfare Inspector (SWI). The Inspector conducted a review of the claim, completed a Means Reporting Form (where means-tested increases were payable) and ensured the customer completed and signed a declaration that all information had been provided. Following the work of the Inspector, completed survey material

---

<sup>4</sup> <http://www.isscop.ie/codeofpractice/>

and customer files were submitted for examination, assessment and revised decision (where relevant) by a Deciding Officer<sup>5</sup>.

### ***Additional analysis for non-resident cases***

SPC is payable to recipients regardless of their country of residence. For this survey, it was not logistically possible to send SWIs to the addresses of non-resident customers. Instead, CE Certificates were sent to all non-resident claimants included in the Fraud & Error sample (75 out of 600, in proportion to the prevalence of such cases in the wider SPC population).

For all 75 such cases, the requested CE declaration was returned as requested, so that we have no evidence to suggest that these cases were anything other than Benefit Correct<sup>6</sup>. However, as there were 45,106 foreign resident SPC recipients, this sub-sample was too small for us to be confident of the true rate of Fraud and Error in the non-resident sub-population of SPC.

We, therefore, timed this survey to coincide with the wider 2016 CE Certification exercise conducted for normal operational control purposes as follows:

- In **May 2016**, 5,996 CE certificates were sent to SPC recipients who were resident outside of Ireland and who had not previously received a certificate for completion;
- In **November 2016**, 180 days after the certificates were issued, payment of SPC was stopped where certificates remained unreturned;
- In cases where the requested certificates were subsequently returned, payment of SPC was resumed;
- As of **April 2017**, there were 252 cases where a CE certificate issued in May 2016 and where payment was stopped in November 2016 and remains stopped.

For the purposes of this survey, we have characterised these 252 cases as ‘Official Error’ because of the fact that the Department had not previously contacted the recipients to seek confirmation of their continuing eligibility for payment of SPC.

After reweighting and rebasing to the total sub-population of foreign resident recipients who had never previously been reviewed for continuing eligibility, this equates to 0.16% of the total SPC population (equivalent to one extra Official Error case in the 600-case sample and shown as such in Table 4) and a similar estimated percentage of total SPC expenditure in the survey week<sup>7</sup>.

---

<sup>5</sup> Deciding Officers are appointed under statute to decide on entitlements in relation to social insurance and social assistance provisions in the Social Welfare Acts.

<sup>6</sup> Separately, a calculation error (categorised as Official Error) was found at the desk review stage for three of these cases.

<sup>7</sup> 31,043 SPC recipients resident abroad had already received a Continuing Eligibility certificate prior to 27 May 2016. In fulfilment of a commitment to the Comptroller and Auditor-General to issue certificates to all SPC recipients abroad, 5,996 of the remaining 14,063 who had *never received a CE certificate before 27 May 2016* were selected. These represent approximately one third of all non-resident SPC claimants.

Approximately two thirds of foreign-resident claimants had all previously received a CE certificate. Without a further exercise to follow up the subsequent compliance of previously certified claimants, and given that the risk of Fraud of Error may be higher for those people who never previously received a CE certificate than for those who did, we cannot make any conclusions about the Fraud and Error rate for this remaining cohort, beyond noting that no Fraud or Error cases were detected in the previously CE-certified non-resident group included in the 600-case Fraud & Error sample.

**Table 3 - Estimation of Error rate for foreign-resident claimants who had not received a Continuing Eligibility certificate before May 27 2016**

<b>Group</b>	<b>Number in Group</b>	<b>Estimated number of Error cases in group<sup>8</sup></b>	<b>Error cases as % of numbers in group</b>
Cases included in CE exercise 2016	5,996	252	4.203%
Foreign-resident claimants with no previous CE cert in May 2016	14,063	590	4.198%
Total population of claimants, May 2016	367,254	590	0.161%
Number of cases in SPC Fraud & Error sample	600	1	0.161%

*Source: DSP*

### ***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 SPC 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 (where appeals received).

---

<sup>8</sup> There were 252 cases of non-response to the 2016 CE certification request. The results from the 5,996 cases selected for that exercise were reweighted by age group, sex and marital status to ensure they were representative of the full sub-population of 14,063 foreign resident claimants who had not previously received a CE certificate before May 27, 2016.

This yields a reweighted estimate of 590 Error cases in that sub-population (with a confidence interval of ± 71.5 cases).



## 4. Results

Review outcomes were established for all 600 cases in the SPC sample and the results of these reviews are detailed in Table 4 below.

**Table 4 – State Pension (Contributory) Fraud and Error survey outcomes by type and number of cases**  
Cases where Fraud or Error related to the means-tested Increase for a Qualified Adult (IQA) are *highlighted in red*

<b>Outcome</b>	<b>No. of cases</b>	<b>% of total</b>
<b>Fraud &amp; Error (net)</b>	<b>28</b>	<b>4.7%</b>
<b>Fraud &amp; Error (gross)</b>	<b>28</b>	<b>4.7%</b>
Total Customer Fraud & Error	7	1.2%
Customer Fraud	3	0.5%
<i>Refusal to furnish documentation in relation to qualified adult means</i>	3	0.5%
Customer Error	4	0.7%
<i>Change in means of qualified adult</i>	4	0.7%
Official Error	21	3.5%
Overpayment	19	3.2%
<i>Length of time since last review, with change in means of qualified adult</i>	10	1.7%
<i>Foreign resident - no previous Continuing Eligibility engagement</i>	1	0.2%
<i>Calculation error</i>	8	1.3%
Underpayment	2	0.3%
<i>Calculation error</i>	2	0.3%
Customer Fraud or Error: transfers to other DSP schemes	0	0.0%
Customer Fraud or Error: successful appeals	0	0.0%
<b>No Fraud or Error (net)</b>	<b>572</b>	<b>95.3%</b>
<b>No Fraud or Error (gross)</b>	<b>572</b>	<b>95.3%</b>
Benefit Correct	572	95.3%
Normal Movement	0	0.0%
Customer Fraud or Error: transfers to other DSP schemes	0	0.0%
Customer Fraud or Error: successful appeals	0	0.0%

*Source: DSP*

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.

Most Fraud and Error cases found were categorised as Official Error, which breaks down into three categories:

1. *Length of time since last review, with change in means of IQA*, where cases had not been reviewed in the five years prior to this survey and there was a change in the means of a qualified adult dependant which required a revised decision<sup>9</sup>;

<sup>9</sup> Similar cases where the time since last case review was less than five years have been categorised as *Customer Error*. Strictly, Customer Error also exists in the cases which have not been reviewed in the last five years as every claimant or beneficiary is obliged to notify any changes in circumstances which affect the right to benefit, or the right to receive benefit, as soon as is reasonably practicable (Article 188 1(b) of Social Welfare Regulations 2007). However, the length of

2. *Calculation error*, where a desk review revealed that there was some error in the original calculation of the rate of SPC due. While 1.3% of cases were found to have some degree of calculation error, the size of these errors was small on average, so that calculation errors equate to only 0.1 % of weekly scheme expenditure<sup>10</sup>
3. *Foreign resident - no previous CE engagement*: the basis for this figure is shown in Table 3 of section 3.

Only three cases (0.5%) were categorised as *Customer Fraud*, all on the basis that the customer did not supply the documentation requested by the Department to support their claim for a means-tested IQA payment. Equally, all four *Customer Error* cases related to changed IQA means.

Overall, cases with a change in qualified adult means (marked in red in Table 4) account for well over half of all Fraud and Error by number of cases and 88% of all Fraud and Error by estimated overpayment (see section 5).

**Table 5 – Gross and Net Fraud and Error by percentage of total weekly spending with 95% confidence intervals<sup>11</sup>**

Item	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
<b>Fraud and Error</b>	<b>1.04%</b>	<b>2.05%</b>	<b>3.06%</b>	<b>1.04%</b>	<b>2.05%</b>	<b>3.06%</b>
<b>Customer Fraud and Error</b>	<b>0.06%</b>	<b>0.59%</b>	<b>1.11%</b>	<b>0.06%</b>	<b>0.59%</b>	<b>1.11%</b>
Customer Fraud	-0.07%	0.25%	0.57%	-0.07%	0.25%	0.57%
Customer Error	-0.08%	0.34%	0.75%	-0.08%	0.34%	0.75%
<b>Official Error</b>	<b>0.59%</b>	<b>1.46%</b>	<b>2.33%</b>	<b>0.59%</b>	<b>1.46%</b>	<b>2.33%</b>
Overpayment	0.64%	1.51%	2.37%	0.64%	1.51%	2.37%
Underpayment	-0.13%	-0.04%	0.04%	-0.13%	-0.04%	0.04%

Source: DSP

time since last DSP contact was judged to be the most important source of error in these cases and so they have been ascribed to Official Error (only) to avoid double-counting.

<sup>10</sup> The average error for the eight overpayment cases found was +€21.86, and the average error for the two underpayment cases found was -€30.25.

<sup>11</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.

**Table 6 – Gross and Net Fraud and Error by estimated total weekly overpayment with 95% confidence intervals<sup>11</sup>**

Item	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
<b>Fraud and Error</b>	<b>€892,523</b>	<b>€1,761,570</b>	<b>€2,630,617</b>	<b>€892,523</b>	<b>€1,761,570</b>	<b>€2,630,617</b>
<b>Customer Fraud and Error</b>	<b>€50,546</b>	<b>€504,485</b>	<b>€958,423</b>	<b>€50,546</b>	<b>€504,485</b>	<b>€958,423</b>
Customer Fraud	-€64,283	€214,844	€493,970	-€64,283	€214,844	€493,970
Customer Error	-€69,450	€289,641	€648,732	-€69,450	€289,641	€648,732
<b>Official Error</b>	<b>€510,549</b>	<b>€1,257,086</b>	<b>€2,003,622</b>	<b>€510,549</b>	<b>€1,257,086</b>	<b>€2,003,622</b>
Overpayment	€551,336	€1,294,117	€2,036,898	€551,336	€1,294,117	€2,036,898
Underpayment	-€107,598	-€37,031	€33,535	-€107,598	-€37,031	€33,535

Source: DSP

As shown in Table 5 and Table 6, we found statistically significant results (at a 95% confidence level) for all expenditure metrics except the monetary value of customer fraud and official error (underpayment), where the numbers of cases affected were very low<sup>12</sup>.

Similarly, in terms of *number of cases affected*, Table 7 shows that statistically significant results were obtained for all categories except customer fraud and official error (underpayment)<sup>12</sup>.

**Table 7 – Gross and Net Fraud and Error by percentage of claims affected with 95% confidence intervals<sup>11</sup>**

Item	Lower bound (gross)	Gross	Higher bound (gross)	Lower bound (net)	Net	Higher bound (net)
<b>Fraud and Error</b>	<b>2.98%</b>	<b>4.67%</b>	<b>6.35%</b>	<b>2.98%</b>	<b>4.67%</b>	<b>6.35%</b>
<b>Customer Fraud and Error</b>	<b>0.31%</b>	<b>1.17%</b>	<b>2.03%</b>	<b>0.31%</b>	<b>1.17%</b>	<b>2.03%</b>
Customer Fraud	-0.06%	0.50%	1.06%	-0.06%	0.50%	1.06%
Customer Error	0.02%	0.67%	1.32%	0.02%	0.67%	1.32%
<b>Official Error</b>	<b>2.03%</b>	<b>3.50%</b>	<b>4.97%</b>	<b>2.03%</b>	<b>3.50%</b>	<b>4.97%</b>
Overpayment	1.77%	3.17%	4.57%	1.77%	3.17%	4.57%
Underpayment	-0.13%	0.33%	0.79%	-0.13%	0.33%	0.79%

Source: DSP

<sup>12</sup> The Customer Fraud level found is weakly significant (at a 90% confidence level).

## 5. Risk analysis

### *General approach*

The sample was divided into two groups: those with and without a recorded adverse outcome. Statistical tests were used to identify potential predictor variables for a fraud or error outcome from the administrative data for the scheme.

### *Risk analysis results*

In this survey, claims with means-tested increased payments in respect of qualified adults were found to be substantially more likely than others to show an adverse outcome, at a greater than 99% confidence level. As shown in Table 4 and Table 8, such claims accounted for 88% of all Fraud and Error by value, and well over half by number of claims affected.

The estimated rate of Fraud and Error for *the SPC scheme as a whole, including IQA payments*, was 2.0% of total expenditure, or €1.8 million out of €86.0 million paid out in the survey week.

The Fraud and Error rate for *all SPC spending except spending relating to means-tested increases for qualified adults (IQAs)* was 0.3% of non-IQA expenditure, or approximately €0.2 million out of €74.1 million paid out in the survey week.

The Fraud and Error rate for *means-tested IQA expenditure* was much higher, at an estimated 13.1% of IQA expenditure, or €1.6 million out of €11.8 million paid out in the survey week. In other words, IQA payments make up 14% of SPC expenditure but accounted for 88% of all losses due to Fraud and Error for the SPC scheme as a whole.

**Table 8 - State Pension (Contributory) spending and Fraud & Error by source (IQA versus all other)**

	Weekly spending in survey week (€m)	Estimated rate of Fraud & Error (%)	Estimated net loss from Fraud & Error in week (€m)
<b>Total State Pension (Contributory)</b>	<b>86.0</b>	<b>2.0%</b>	<b>1.8</b>
<i>Arising from Increase for Qualified Adults (IQA)</i>	<i>11.8</i>	<i>13.1%</i>	<i>1.6</i>
<i>All other</i>	<i>74.1</i>	<i>0.3%</i>	<i>0.2</i>

*Source: DSP*

## 6. Conclusions & Future Actions

Based on this survey, we estimate that the net cost of fraud and error for SPC in the week ending 31<sup>st</sup> May 2016 was 2.0% of scheme expenditure, on both a gross and net basis.

### ***Greater risk from cases with Increase for Qualified Adult***

The survey findings confirm that the highest risk category for SPC relates to those beneficiaries in receipt of an increase for a qualified adult.

Fraud and Error surveys of other social welfare schemes clearly indicate that means-tested payments are a greater source of control risk than non-means tested benefits. The implication for SPC is that the means-tested payment component in respect of a qualified adult dependant is likely to present a greater risk to correct payment entitlement. Given the longer term nature of SPC entitlement, there is an increased likelihood that some qualified adults' means will change from that assessed at initial claim determination stage.

Over the past two years, the SPC business area of the Department has been examining qualified adult means data, where available, in order to implement more robust review procedures. The report findings support the Department's intention to undertake more systematic and comprehensive reviews of qualified adult means.

### ***Control of SPC paid to people resident abroad***

The SPC claimload has been growing steadily at approximately 5% (or 15,000 additional recipients) per year for the past six years and over 45,000 SPC recipients are resident abroad. Accepting that there is an element of churn in those choosing to reside abroad in any given year, recipients who reside abroad are included in a rolling CE Certification process, involving the issue of 6 - 8,000 Certificates annually. On completion of the 2017 CE project, all SPC residents abroad will have received at least one CE certificate. From 2018, a programme of repeat certificates will commence, which is expected to result in a lower number of cases to be stopped.

### ***Ongoing control activity for SPC***

As outlined above, over the past two years, the Department has been examining qualifying adult means data in order to implement a more robust review programme. This programme already includes:

- Targeted reviews of SPC recipients resident overseas and qualified adults;
- Data matches of records of deaths within the State and overseas;
- Data match based reviews of increase for living alone and means-tested fuel allowance entitlements; and
- *Ad hoc*, random and systematic reviews in line with the scheme's control and governance requirements.

A dedicated SPC Control Team (comprising 10.4 full-time equivalents) undertakes approximately 10,000 reviews per annum and generates related savings of €10 – €12m.

### ***Measures which will improve SPC control activity***

Notwithstanding the proactive control work on SPC to date, improved communications are needed to ensure that SPC recipients make timely notifications where changes in circumstances occur. In particular, future review activity will need to focus on improving means reporting compliance where IQA payments are made.

Accordingly, the Department will update its SPC control review policy, to implement a 3-5 year rolling programme, based on risk assessment and risk categorisation for all recipients, to include:

- a new suite of customised communications to remind recipients of their obligation to notify the Department if there is a change in their circumstances which may impact on their entitlement, targeting in particular those in receipt of additional means-tested increases. These communications, which will in time include web self-service notification of life/circumstance changes capability, will begin to issue from early 2018, with the potential for early adjustments to payment rates and the reduction in overpayments occurring;
- systematic review processes to focus control activity on cohorts of recipients determined to be at higher risks of non-compliance. Scoping work has already commenced on establishing a new review baseline;
- extending death record sharing facilities with jurisdictions with large SPC resident populations, as currently exist with the Australian and US authorities;
- improving internal guidelines for staff, together with continuing training and learning supports for staff, especially those involved in deciding payment entitlement; and
- use of data analytics to identify higher risk categories to support targeted control activity.

A number of specific measures are currently underway:

- Comprehensive review of circa 50,000 IQA recipients: An initial sampling of 500 cases has commenced to validate and refine both the process and the resourcing requirements of this new control initiative. It is intended to accelerate this project in November 2017 with Phase 1 communicating with up to 25,000 IQA recipients. Phase 1 is scheduled to be completed in May 2018. Phase 2 is scheduled to commence in November 2019 and will examine the balance of qualified adults.
- The 2017 Continuing Eligibility Certification (CE) project is currently underway with over 8,000 CE Certificates issuing during May and June 2017. This project will ensure that all SPC recipients living abroad will have received a CE Certificate. On completion of this project it is intended to have a programme of repeat certification in operation from 2018.

In addition, the SPC business area is undertaking an assessment of its resource requirements for control activities, taking into account the continuing growth in recipient numbers and related scheme expenditure.

## Appendix 1: Household Benefits Package (HHB) eligibility analysis

In the 2016 Fraud and Error survey of recipients of the Household Benefits Package (HHB) who were not also recipients of another DSP payment<sup>13</sup>, the Department undertook to include a HHB review component in Fraud and Error surveys of State Pension (contributory), Carer's Allowance, State Pension (non-contributory), and Disability Allowance.

The timetable and cumulative HHB coverage from this exercise is shown in Table 9.

**Table 9 - Fraud and Error surveys incorporating Household Benefits entitlement reviews**

Scheme to be surveyed	Survey commencement	Survey completion	Cumulative coverage
Household Benefits (only)	Q1 2016	Q3 2016	7%
State Pension (contributory)	Q1 2016	Q1 2017	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: DSP*

As Table 9 shows, nearly half of all HHB recipients are also recipients of SPC. 318 of the 600 SPC recipients included in the SPC sample were also receiving HHB at the time of the survey.

The results of the HHB review of people who were also receiving SPC are shown in Table 10. Two cases of Official Error were detected, as well as one case of Customer Error.

**Table 10 - Estimated Fraud and Error as a percentage of monthly expenditure on HHB for claimants in receipt of SPC**

Item	Gross rate	Appeals	Transferred claims	Net rate
<b>Fraud and Error as % of spending</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>0.3%</b>
<i>As % of number of claims</i>	<i>0.6%</i>		<i>0.3%</i>	<i>0.3%</i>
<b>Customer Fraud and Error</b>	<b>0.3%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>0.0%</b>
Customer Fraud	0.0%			0.0%
Customer Error	0.3%		0.3%	0.0%
<b>Official Error</b>	<b>0.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.3%</b>
Overpayment	0.3%		0.0%	0.3%
Underpayment	0.0%			0.0%

*Source: DSP*

Putting these results together with those published in the survey of recipients of HHB (only), we have now surveyed claimants representative of over half of the HHB population. Based on the two sets of results, we estimate the *blended* net Fraud & Error rate for HHB recipients who *either* have no DSP primary scheme *or* are SPC recipients as 1.1% of HHB scheme expenditure.

<sup>13</sup> [http://www.welfare.ie/en/downloads/HHB-Fraud-and-Error-Publication-Version\(2\).pdf](http://www.welfare.ie/en/downloads/HHB-Fraud-and-Error-Publication-Version(2).pdf)