

Joint Committee on Jobs, Social Protection and Education
Wednesday 5 October 2011

Opening Statement from
Anne Vaughan, Deputy Secretary, Department of Social Protection

Introduction

Chairman and Members of the Committee, thank you very much for the opportunity to present to you today, which is timely. You have a copy of my opening statement so I will go through it quickly. You also received a copy of the Fraud Initiative, which was launched recently by the Minister for Social Protection. This sets out the Department's plans to address fraud and abuse in the system for the next 2 years. It also picks up on issues that were raised in the 2009 report undertaken by the former Committee. I and my team are very happy to discuss this initiative with you and get your views as we see this plan as very much a work in progress, and we also see the need to be agile and responsive in this area of fraud control. We certainly welcome your input.

Before discussing the control strategy in specific, I would like to set it in an overall context, as I think we would all agree it is important that there is balance in the discussion.

Social welfare income and support services impact on the lives of almost every person in the State. Some 1.4 million people each week receive a social welfare payment and, when qualified adults and children are included, a total of almost 2.1 million people benefit

from weekly payments. Over 600,000 families receive child benefit payments in respect of over 1.2 million children each month. It is important to emphasise that the majority of people receiving social welfare payments are entitled to these. Total social welfare expenditure in 2011 is some €21 billion. This equates to some 40% of gross current government expenditure.

There are essentially 3 elements to the work of the Department:

Firstly, income support payments, as I have just outlined, which are crucial in addressing poverty;

Secondly, activation support and services – following the reorganisation of departmental responsibilities, the Department has now a much wider role in relation to the provision of activation, employment, community services and income support. The addition of almost 2,000 Community Welfare Service (CWS) and FÁS employment services staff, together with responsibility for a wide range of activation programmes at local level, will enhance our ability to interact directly with all our customers of working age in more effective ways and so improve their life chances.

Thirdly, control of fraud and abuse - it is essential that the Oireachtas, clients, stakeholders and taxpayers have confidence and trust in the social welfare system. Essentially the objective is *to pay the right person the right amount of money at the right time*, as it says on the cover of the Fraud Initiative. Social welfare fraud undermines public confidence in the entire system as well as being unfair to other recipients of social welfare payments, taxpayers and businesses run on a legitimate basis.

So in combating fraud and abuse it is important, firstly, to keep a balance between the 3 elements of the system and, secondly, to keep the interests of all stakeholders in mind. Also the Department would always say that good customer service is one that encompasses efficient and fair delivery with good controls.

I should say that our discussions with the EU/IMF/ECB very much focus on the 3 elements of the SW system and, in particular, on the need for strong activation measures and robust controls, as a contribution to the overall savings requirement.

Fraud Initiative

There is a lot of detail on the current activities and future plans in the Fraud Initiative document, which you have, so I will just highlight certain areas. I also wish to dovetail with some of the concerns of the former Committee as set out in the 2009 report, which included fraud & error surveys, the level of fraud in particular areas, cross border fraud and a public service card. We can go into as much detail as you wish in the discussion.

There are a number of themes and approaches in the plan, including:

- Greater inter-agency cooperation among public bodies at national and local level to combat fraud and abuse. This is helped by the integration with the CWS and FAS. Arising from this, a more integrated approach to fraud control can now be realised. A single customer view for control purposes will be created;
- Greater liaison at national and, in particular, at local level with employers, their representative organisations and businesses generally to ensure good information exchange

on emerging fraudulent trends in the labour market, and also to maintain a fair and level playing pitch for all enterprises. We have in mind that employers and businesses would discuss their concerns and issues with our local managers;

- Greater visibility of social welfare inspectors on the ground;
- New ways to recover overpayments to be examined; and
- Increased penalties for those operating in the hidden economy to be examined.

It is considered that the combination of these elements of the plan will lead to more focused and efficient activity and better deployment of resources. The initiative covers the period 2011 to 2013 and will be reviewed periodically and updated, as required, given emerging trends. Clearly any new initiatives will have to be examined from a legal, including data protection, perspective.

Levels of Social Welfare Fraud

Over the years there has been and is much discussion on the level of fraud and abuse in the system, including in the earlier work done by the former Committee. All stakeholders quite rightly want to eliminate any abuses and, as already said, this is a key objective of the Department as clearly set out in the plan. There are a number of different (and possibly confusing) ways of discussing the issue including the following:

People's own general perceptions of abuse from what they observe around them - in this regard, I should say that many people work

and legitimately claim a social welfare payment. This is due to the deliberate flexibility in the system that encourages people to undertake some form of work.

Level of overpayments & recovery – the total level of overpayments raised in 2010 was €83.4 million or 0.34% of total expenditure. A key aspect of control policy is to ensure that appropriate sanctions are applied in instances where social welfare fraud has been detected. Effective debt recovery is seen as an integral part of the deterrent approach. It creates a climate where people who have been overpaid know that they have a responsibility to repay and that the Department will take appropriate steps to effect recovery. Under the plan (section 4), a number of new initiatives will be examined to ensure that debt recovery is increased.

Value of control activity - control savings measure the value of the various activities and are a good indication of how much social welfare expenditure would increase over time if this investigative/control work did not take place. Control savings are not actual monies recovered by the Department but are an estimate of future expenditure that is avoided. The value of the work (some €540 million in 2011 terms) is already built into the estimates and is seen as core control work. This target is monitored on a monthly basis at scheme and regional level.

The provisional target for control savings for 2012 is in the region of €625 million. The targets for control savings, reviews and employer inspections will be finalised later in 2011 and will be influenced by a range of factors, including the prioritisation of high risk sectors.

Fraud & Error Surveys

The Department undertakes fraud & error surveys based on large scale random samples of clients. Based on these surveys, schemes for people of working age have been found to exhibit higher levels of fraud than other contingencies. In particular, the jobseeker's allowance, one parent family and disability allowance have shown more pronounced incidences of fraud risks compared to other schemes. Conversely in schemes such as the state contributory pension fraud and error surveys have shown low rates of fraud or exposure to fraud risks.

In the last 5 years, the surveys found that the fraud and error rates amongst various schemes ranged from 1 % in the case of state contributory pension, to 1.9% on non-contributory state pension and to 3.1% of expenditure on jobseeker's allowance. Surveys on disability allowance and on one-parent family allowance are currently nearing completion. Details of the programme of surveys planned for the Department in the medium term are set out in section 9.2 of the initiative.

Control measures

Current measures to control fraud and abuse include desk reviews of claim papers, home visits, the issue of mail-shots to selected customers, database checking, and medical reviews in the case of illness payments. Controls are exercised at both the initial claim stage and at subsequent stages during the claim life cycle.

The target for reviews in 2011 is 780,000. The target for future years under this plan will be set later this year in the context of the outturn for 2011 and bearing in mind the requirement to have more focused reviews and project based work based on local intelligence and risk assessment. The provisional target for number of employer inspections in 2012 and 2013 is in the region of 2,500 to 3,500 each

year. These inspections have a good demonstration effect and are broadly welcomed by the business community.

The Department will hold a seminar in the next month or two with all stakeholders on this initiative including representatives of social welfare recipients and business to get their views. As part of the drafting of this plan consultations took place with staff of the Department through 8 regional seminars which were held in August.

In addition over the lifetime of this initiative the Department plans a targeted advertising campaign to take place at local level and on the website. This will highlight the negative effects of social welfare abuse on all of us.

Inter Agency Work

As part of its fraud investigation and control activities, the Department works with a range of enforcement and compliance agencies. In particular, investigators work closely and collaboratively with other agencies to ensure that social welfare abuses are comprehensively deterred and detected (e.g. Revenue Commissioners, National Employment and Rights Authority (NERA), Garda Síochána, CAB, GNIB, FÁS, HSE, local authorities, An Post and the Taxi Regulator).

In the context of cross-border co-operation, the Department has established both strategic and operational structures to combat cross-jurisdictional social security fraud.

The Department has with the Revenue Commissioners, through the operation of joint investigation units, identified the risk inherent in shadow activity as being a key corporate priority to be tackled. A

sectoral approach is being taken with projects and control operations under this initiative focussed on the following:

- Construction sector;
- Trade suppliers;
- Streetscape Projects - A streetscape project consists of a visit to all cash businesses in a street, small town or village to check the quality of records and the consistency between declared income and stock levels. How cash is managed is also reviewed;
- Taxi sector – including the use of inter agency checkpoints and data matching;
- White collar sectors which have the potential to engage in cash transactions; and
- Other sectors include markets, casual trading, couriers, clothes recycling, car valeting, security sector, and haulage.

The required joint approach here comprises agility and early response where new fraud/abuse trends are detected. Details of work in this regard are set out in sections 6 and 7 of the Fraud Initiative.

Identity Fraud and Public Services Card

Identity fraud and identity theft are issues with which public bodies are rightly concerned, both in terms of prevention and detection. The Personal Public Service Number (PPS No.) is an individual's unique reference number for dealings with government departments and public bodies. It is necessary to have effective controls around the PPS Number registration process to guard against fraud and to protect the integrity of both the Department's and an individual's data. Evidence of identity is a vital element of the allocation process.

The Department will begin the phased introduction of the new Public Services Card (PSC) this week. The introduction of the card and the registration process is currently being piloted in a number of local offices in the Department, including Tullamore, Sligo and King's Inn in Dublin. It is anticipated that some 4,000 people will be issued with cards by end of year. Under this plan, roll out of the card will commence this month and while it will be done as securely and speedily as possible, it will take a number of years to complete. The initial focus will be on roll out to persons of working age.

The specification for the PSC provides for a card which is a standard "credit card" size with multiple protection mechanisms to prevent and/or detect tampering with the physical card and its contents. The PSC also incorporates identification features including a biometric photograph and signature thus making it harder for people to use false identities. It contains personal information inscribed on the face of the card for visual inspection and also electronically encoded on the card for access by a secure card reader. This card will act as a key for access to public services in general, identifying and authenticating individuals as appropriate and where required. Further details are given in section 8 of the initiative.

In conclusion, I hope I have given you a flavour of the work in progress and I welcome your comments and views. Thank you.