

Public Accounts Committee, 15th September, 2011

Opening Statement from Niamh O'Donoghue, Secretary General,

Department of Social Protection

Introduction

My comments today address the expenditure incurred and accountable under Vote 38 and the account of the Social Insurance Fund.

In addressing you this morning I would like to take the opportunity to remind the Committee of the extraordinary environment which evolved in 2009 before commenting on the Department's financial accounts and the Chapters included in the Comptrollers annual report. I trust that you have received the updated information on the recommendations made in these chapters and so I will not repeat that information here.

Expenditure and Statistics, 2009

By any standards, 2009 was an extraordinary year for the State's income support systems. The Government's programme of social welfare expenditure increased to almost €20.5 billion - an increase of over 15.3% over the previous year. The levels of business activity during 2009 tell their own story in reflecting the very significant challenges posed for the Department. In particular:

- Nearly 1.4 million people were in receipt of a weekly social welfare payment, which was paid in respect of just under 2.1 million beneficiaries;
- During the course of 2009, 626,000 new claims were registered for jobseekers payments, and a further 493,000 people 'signed off' from these payments meaning that the 'churn' in the live register was of the order of 1.12 million cases which had to be dealt with – a figure that is unsurpassed in the history of the Department;

Unsurprisingly, the biggest issue the Department's staff had to contend and cope with in 2009 was the surge to our jobseekers claims which reflected the changing economic climate. This change also had significant impact on both income to and expenditure from the Social Insurance Fund.

Despite the valiant efforts of staff, the number of claims pending in this area rose to an all time high of 78,500 or some 17% of the claimload. To put this in context, as a result of the ongoing introduction of efficiencies and significant evidence of increased productivity since 2009, the number of jobseekers with claims pending has dropped to 35,000 or 7% of claimload, which is still at an extraordinary high level of 526,000 as at end August this year.

And while these average figures portray a reasonable story at macro level, I am extremely aware that for many individuals and families who were affected by

unemployment – many of whom had never signed on before in their lives –the speed of response of the Department was considered to be less than satisfactory.

Modernisation of IT infrastructure

Some public commentary during that time focused on delays in processing payments for customers and the abilities of the Department in relation to the utilisation of modern technology

The Department's primary responsibility is to ensure that we deliver income support services on a weekly and monthly basis to our customers across a wide variety of schemes with varying eligibility requirements. The Department processes approximately 85 million payment transactions per year. Many of the schemes operated by the Department are supported by legacy standalone systems. Modernisation of systems must be progressed with appropriate management of risk to continuity of this core business. Equally, in our development efforts, we are also charged with the objective of integrating our systems so that we can achieve a total 'customer' view of our clients with the objective of (i) providing better service and (ii) ensuring better controls.

This means, that of necessity we must always balance the pace of our drive for modernisation with the need to ensure continued delivery of core services. I'm happy to say, Chairman, that because of a significant intensification of effort in this area, very significant progress has been made in this regard over the last two years.

We have built on a new technical infrastructure which has already provided significant value to both clients and the Department in our pensions and child benefits area and has considerably enhanced our control efforts. We have also introduced significant technology assisted improvements in our local offices. Within the coming months we will have an additional number of our major schemes including Disability Allowance and Carers Allowance operated on this new IT platform, and over the course of the next twelve months we will be rolling out significant advances in our local offices in support of linking jobseekers payments and the activation agenda in a meaningful fashion. As this happens our clients, and indeed yourselves, will see significant progress.

Since the current crisis arose, the staff of the Department have been making extraordinary efforts to cope with a diverse and increasing claimload, while also trying to deal sensitively with the customers presenting in our local offices or contacting us in other ways. They are deserving of great commendation in relation to the work which has been done, whilst at the same time recognising that considerable improvement is still required.

Fraud and Control

I am aware Chairman that there is much public concern and media comment about potential for fraud in relation to social welfare expenditure. This concern is reflected in the very significant increase in the levels of suspected fraud reported to the Department in the past three years.

During 2008 and 2009, in the face of the huge number of claims being received we had no option but to devote significant resources at inspector level to the examination of claim entitlement at application stage. Preventing fraudulent or erroneous claims from going into payment in the first instance is a significant part of our overall control strategy. This meant, of necessity, that there was a reduction in focus on claim review during this period.

However, having made significant progress in enhancing claim processing, we started to re-balance our activity in the claims review area in 2010 and 2011, with good results from the perspective of review activity and savings achieved.

We are firmly of the view that effective customer service by the Department requires both speedy delivery of entitlements to eligible customers and a firm programme of tackling those who seek to claim payments to which they are not entitled. A programme of control seminars has recently been rolled out to staff involved in investigative and control activities in the Department with a view to reinforcing the need for a robust control environment and the opportunities that now arise with the integration of the community welfare service and the FAS staff.

Following a Programme for Government commitment in this area, the Minister announced a new Fraud Initiative on Monday last and I understand that copies have been sent to Committee members.

C&AG Report for 2009

I will turn now to specifically address the Chapters 32 to 35 of the Comptroller's annual report.

I have, as requested, provided the Committee with a detailed update in relation to the recommendations made by the Comptroller in each of the Chapters. In the main, the recommendations made have been accepted and progress has been made in relation to implementation.

I would point out, however, that the report also contains detailed comments in relation to my views about the purpose and intent of Fraud and Error surveys and these are germane to the evidence base used to inform the Comptroller's conclusions in relation to the regularity of social welfare payments.

The fundamental function of the Fraud and Error Surveys undertaken is

- to identify risk in specific schemes,
- target resources towards the collation of evidence of fraud and
- inform improvements in the internal and external controls to be applied to welfare schemes.

The objectives serve to mitigate exposure to incorrect payments and receipt of irregular payments.

I am of the view, as set out in comments included in the relevant Chapter, that the application of levels of fraud & error found in surveys concluded as far back as 2004 cannot reasonably be applied to current expenditure to measure welfare payment irregularity.

The Department's view is that payments can only be considered to be irregular when it can be shown, indeed proven, that a payment was received fraudulently or is conclusively shown to be paid in error by reason of customer or Departmental error.

Welfare payments must be made in accordance with social welfare legislation. This includes the requirement of the Deciding Officer to decide to stop a payment from a current date when evidence is not available to set up an overpayment in respect of a prior period.

The customer has the right to appeal an adverse decision. The Department must also recognise, process and support an underlying entitlement to any other scheme despite being disallowed for the one in question. Fraud and error surveys (to date) do not recognise these additional and extraneous factors which all contribute to determine the regularity, or not, of a welfare payment which is paid for the purpose for which the Oireachtas intended.

I will however stress that the results of these Fraud and Error surveys are historic. They are findings which reflect the Department's control strategy and economic climate of the time. The Department has developed and progressed in the use of technology to match and share information where appropriate. Process improvements have been applied to remove the risk of error which may arise through incorrect calculation in its simplest form or automating checks through systematic practices.

As a consequence, the levels of risk highlighted in fraud and error surveys that were estimated a number of years ago cannot be assumed to remain valid today in reflecting current levels of risk.

Having said all that, however, I would reiterate that the Department agrees with the Comptroller and Auditor General's comments in relation to the usefulness of the Fraud and Error survey programme and has broadly accepted his recommendations in relation to having a programme approach to the conduct of such surveys. The Department plans to consult further with his Office in this regard, as outlined in my update.

Transformation Programme

Finally, I would like to make a brief reference to the very significant work programme currently being implemented by the Department in which I'm sure the members of the Committee will be interested. The objective is to progress a radically new approach to supporting people at risk of long term unemployment into sustainable jobs and training.

As part of this, the structure and operations of the Department are being reconfigured to integrate the employment and community employment services of FÁS and the Community Welfare Service of the HSE (an additional 2,000 staff). The establishment of the National Employment and Entitlement Service and the reconfiguration and integration of employment and benefits services is a key commitment under the terms of the Memorandum of Understanding with the EU/IMF/ECB. Its establishment was provided for in the Programme for Government and builds on previous decisions by Government.

This transformation programme is bigger than any of our previous change programmes. We are moving into a more proactive model of income support and activation, which is clearly focussed on progressing people to social and economic participation.

Progress has been good. The rural social scheme and community services programme transferred into the Department in mid 2010. Responsibility for the redundancy and insolvency scheme transferred to the Department at the start of the year and a new claim processing system for these claims will go live at the end of the month. The transfer of the Community Welfare Service in October 2011 and the FAS functions on 1 January 2011 is at an advanced stage.

Conclusion

These are difficult times for clients, staff and taxpayers. I would like to reassure the Committee that every effort is being made to ensure best use of monies provided by the Government and taxpayers to deliver good services promptly to legitimate beneficiaries, which means efficient payments, activation services and control of abuse.

Thank you.