

Department of Social Protection Compliance & Anti-Fraud Strategy 2014 – 2018

Annual Report 2015 &
Annual Target Statement 2016

April 2016



An Roinn Coimirce Sóisialaí

Department of Social Protection

www.welfare.ie



Foreword

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The Department of Social Protection touches upon the lives of virtually every family and household in the State, given the vast range of supports we administer, from Child Benefit to Jobseekers' payments to the State pension. For that reason, and particularly when resources are so tight, it is essential that we meet our central objective of paying the right person the right amount of money at the right time.

The overwhelming majority of people who are supported by the Department claim and receive what they are legitimately entitled to. To protect the integrity of the system, and ensure that we continue to target available supports to those most in need, it is essential to combat social welfare fraud and error.

I have therefore ensured that, over the past five years, the Department has taken a clear and strategic approach in preventing and detecting social welfare fraud and error.

Key measures undertaken include:

- The strengthening of measures and the introduction of new powers under the Social Welfare Acts to prevent and detect social welfare fraud and error.
- The rollout of the Public Services Card to improve the authentication of identity and prevent fraud entering the system.
- More efficient and effective recovery of overpayments arising through fraud or error and increasing the value of money recovered.

- The application of new technologies and, in particular, predictive analytics to predict and detect incidents of fraudulent behaviour or potential error.
- Increasing the Department's capacity to detect fraud through the secondment of Gardaí to the Department's Special Investigation Unit.
- A concerted effort to police shadow economy activity and sectors where social welfare fraud is prevalent.

This 2015 annual report detailing progress on the Compliance and Anti-Fraud Strategy 2014 – 2018 highlights the activities and measures taken to sustain efforts to combat fraud and error within the social welfare system, which remains a key priority for the Department.

The Compliance and Anti-Fraud Strategy 2014 – 2018 is key to underpinning an effective and systematic approach to tackling fraud and error. It assures taxpayers and society generally that the system of fraud prevention and detection that we operate is robust and effective – thereby ensuring that our welfare system is there to support those genuinely in need.

Section 1: Introduction

The Department of Social Protection has three main functions:

- **Delivery of income support and services;**
- **Activation of those of working age; and**
- **Control of fraud and abuse.**

In 2015, the Department spent close to €20 billion in social welfare payments and provided income support to nearly 1.6 million people each week. The vast majority of people supported by the Department are receiving their appropriate entitlement and this is well recognised. Nevertheless, tackling fraud and abuse of the social welfare system is a key priority for the Department and ensures that resources are targeted at the people who most need them and that taxpayers have confidence and trust in the social welfare system as a whole.

To this end, a range of measures to prevent and detect fraud and enhance controls across the Department's various schemes are set out in the Compliance and Anti-Fraud Strategy which covers the period 2014 – 2018. The Strategy has three overarching aims:

- to stop fraud entering the system in the first place;
- to increase the likelihood of finding incorrect or fraudulent claims and quickly correcting these; and
- to strengthen the sanctions for those who are caught.

This report looks at the key outcomes for 2015 and sets targets for 2016 across the various areas. The headline figures for both years are set out at the end of this report.

Some of the key achievements in 2015 were:

- Over a million control reviews were carried out which yielded control savings of €464 million, over 91% of the target set for the year;
- Seconded Garda officers continued to work with members of the Department's Special Investigation Unit in detecting and investigating serious and high-end fraud;
- Some €83 million in overpayments were recovered, 92% of the target set for the year.
- Nearly 360 cases were submitted for prosecution, in excess of the target for the year;
- Two fraud and error surveys were completed (on Illness Benefit and Invalidity Pension). The surveys confirmed that both are low risk schemes. Further surveys on Farm Assist, Family Income Supplement and Household Benefits Scheme are underway and are due to report by mid-2016.
- Work continued during 2015 on building predictive analytics models to identify fraud amongst existing customers of the three main working age schemes. The One Parent Family Payment model is now in operation. The other two models (Jobseekers Allowance and Disability Allowance) will become operational in mid-2016.

Section 2: Prevention/Detection

2.1 Control Savings & Reviews

Over one million claims were reviewed by the Department in 2015. These cases were targeted based on a number of factors including the review of means or income/earnings, data matching with other Departments and agencies, address or identity checks, medical reviews and assessment and reviews of assets in estate cases.

Arising from this work, a total of €464 million in control savings were realised last year, of which the Special Investigation Unit (SIU) achieved €69 million. This represents 91% of the overall target set for 2015. Control savings represent the value of prevented expenditure over a future period that would have been incurred if investigative and control work had not been carried out across the range of schemes administered by the Department. They are used as a performance indicator for year-on-year activities.

Some examples of control work undertaken by scheme areas and Intreo Centres are set out below.

1. Child Benefit

Expenditure on Child Benefit during 2015 amounted to just under €2 billion. The Department's Child Benefit Section undertakes a continuing eligibility certification process as part of its control policy to ensure that payment is only made to customers who continue to have an ongoing entitlement. During 2015, some €69.7 million in control savings were achieved against a target of €63 million for the year.

2. Drogheda - One Parent Family Claims

In Drogheda, during 2015, over 620 one parent family payment claims were reviewed. This resulted in recorded savings of €4 million being achieved and a reduction in potential overpayments.

3. County Meath

In Co Meath, over 600 customers who were in receipt of Jobseekers, One Parent Family, Supplementary Welfare and/or, Rent and Mortgage Allowance payments were visited as part of a review of their claims. Of the total number visited, just over 300 were available on the first visit with the remaining 50% requiring call back visits. Seventy-four customers were not available for the notified visit and their claims were subsequently suspended. A further 42 customers were referred to Social Welfare Inspectors (SWIs) for a full review at a later date. As a result, 35 customers whose claims were suspended presented themselves to Navan Intreo Office and after a full review with a SWI, their payments were re-instated. In total, 39 customers had their payment stopped or reduced resulting in savings totalling approx. €353,000.

2.2 Special Investigation Unit (SIU)

The Department's Special Investigation Unit (SIU) carries out a range of investigations and projects to detect social welfare fraud. In particular, the Unit concentrates on the hidden economy and in sectors where social welfare fraud is most prevalent. The emphasis of its work is on direct intervention and engagement with people in receipt of social welfare payments.

Among the outcomes that were achieved in 2015 were:

- Control savings of €69.3 million generated from the Unit's fraud control activities;
- 6,950 case investigations were undertaken resulting in social welfare payments being either terminated or reduced.

Specific projects undertaken by the SIU in 2015 included:

- Non-habitual residency within the State;
- Hidden Economy;
- Construction Sector;
- Identity Fraud;
- The investigation of fraud cases arising from the application of the Department's facial recognition software; and
- Investigations arising from data matching exercises and data sharing with other agencies.

Twenty Garda Officers have been assigned to the SIU since early 2015 and are actively involved in detecting and investigating serious and high-end fraud. In particular, they are targeting the detection and prosecution of cases of identity fraud and/or multiple claiming of social welfare payments. The secondment of the officers will continue for 2016.

Some examples of activity undertaken by the SIU/Garda secondees are set out below.

4. Working and claiming social welfare payments

During 2015, various building site inspections were undertaken. The main focus was directed towards those construction projects under public capital programme. Overall, there were 245 construction case investigations where social welfare payments were stopped, payments reduced or where an overpayment was raised. Total savings were valued of €1.65 million.

5. Use of false identity

An investigation adduced that an individual had fraudulently claimed €97,000 over the course of six years using a false identity. The individual had purchased a Lithuanian passport and used this to get a PPS number. Gardaí viewed CCTV footage from various post offices around Dublin and Meath showing the person collecting payments. Further evidence was discovered when his home was searched. The person subsequently made full admissions in a follow-up interview. In July 2015, he was

convicted and received a 3 year custodial sentence. Efforts to recover the overpayment are continuing.

6. Fraudulent declarations to obtain payments

The individual was convicted of knowingly making false declarations for the purpose of establishing entitlement to Supplementary Welfare Allowances between December 2006 and August 2013. In December 2015, Cork Circuit Court imposed a two year custodial sentence of which 18 months was suspended. The amount fraudulently obtained was €105,000. Efforts are being initiated to recover the debt.

7. Resident outside State

People in receipt of certain social welfare payments are obliged to be habitually resident in the State. An individual was convicted in November 2015 of fraudulently claiming Disability Allowance payments amounting to €42,500 whilst residing in another jurisdiction. The judge imposed a two-and-a-half-year sentence and suspended this conditionally. One of the conditions of the suspension of the jail term was that the accused would leave Ireland within three days. Full repayment of the money was made to the Department.

2.3 Interagency collaboration

As part of its approach to the prevention and detection of social welfare fraud, the Department has formed alliances and developed mutual assistance agreements with a range of enforcement and compliance agencies. Departmental investigators work closely and collaboratively, on an ongoing basis, with other agencies, such as the Workplace Relations Commission, National Roads Authority, INIS, the Revenue Commissioners and An Garda Síochána to ensure that social welfare abuses are comprehensively deterred and detected.

One of the primary interagency relationships is with the Revenue Commissioners. The Department liaises bilaterally with Revenue whose purpose is to ensure ongoing collaboration, sharing expertise and aligning information between the organisations. At operational level, there is structured and

ongoing liaison between both organisations through the operation of the Joint Investigation Units and data exchange.

8. Joint DSP/Revenue Investigations

A joint operation was conducted by the Department and Revenue. The operation concentrated on a number of businesses located within certain industrial estates. The objective was to ensure that all businesses were compliant and to detect any incidences of concurrent working and claiming of social welfare payments. One inspection confirmed under-declared earnings for employees. Total value from this investigation amounted to €90,000 of under-declared VAT, PAYE and PRSI. The total value of social welfare payments ceased or reduced was €100,000.

2.4 Cross Border Co-operation

The Department also co-operates with the Department of Work & Pensions in the UK and with the Northern Ireland Social Security Agency on mutual fraud investigation matters both strategically and operationally.

9. Bogus Identities to claim UK Benefits

An investigation was launched by members of the SIU related to an organised fraud which used the identities of Irish citizens to set up bogus Social Welfare claims in the UK. The outcome of the investigation resulted in Southwark Crown Court imposing a custodial sentence of 2 years and 2 months for one individual. The court heard that he and five other individuals obtained birth certificates and used these to create fraudulent benefit claims in the London Boroughs of Lewisham, Lambeth and Southwark. The individual's co-conspirators had previously received custodial sentences in respect of this fraud with a value of €1.4 million.

2.5 Public Services Card

The Public Services Card (PSC) has been introduced to enable individuals gain access to public services more efficiently and with a minimum of duplication of effort, while preserving

privacy and security. During 2015, over 630,000 cards were issued bringing to 1.75 million the number of cards issued by end 2015. The PSC considerably reduces the potential for identity theft, forgery and fraudulent use through the inclusion of a photograph, signature and better security features.

The PSC offers significant protections against welfare fraud as it represents a robust identity registration process involved documentary evidence, background database checks, face-to-face questioning, biometric capture and facial image matching.

Facial matching software, which has been in use since March 2013, assists in detecting and deterring duplicate registrations by matching customer photographs against existing photographic records to identify if a person has already registered with the Department. Where a match or a potential match is identified, an investigation can be commenced.

Up to the end of March 2016, 105 possible match cases had been detected and referred for investigation. These investigations are ongoing.

10. False identity

An individual received a 2 year sentence in May 2015 for using false French identification documents to claim Jobseekers Allowance and Rent Allowance payments to the sum of €65,000. The fraud was discovered during a joint DSP/An Garda Síochána investigation. The false identity was detected through the application of the Department's Facial Recognition Software. Efforts to recover the monies paid are continuing.

11. Use of multiple identities

An individual had claimed Jobseeker's Allowance under his own and another false identity. Following detection of a suspected fraud using facial recognition software, a joint SIU/An Garda Síochána investigation was launched and resulted in a conviction in July 2015. The individual received an 18 month custodial sentence. The amount of the fraud perpetrated was €25,000. Efforts to recover the monies paid are continuing.

2.6 Predictive Analytics

The Department is keenly aware of the importance of continuing to review and enhance its controls for capturing the risk of non-compliance across its various schemes. It is in this context that the potential of predictive analytics modelling to enhance its existing control programme has been identified. In late 2014, the Department commenced the development of predictive analytics modelling on Jobseekers (JA/JB), One Parent Family Payment (OFP) and Disability Allowance (DA) – its three main working age schemes. This work is being undertaken over a two year period.

Existing customer information is being used to build analytics models which will enhance fraud and error detection. The OFP model is now in production and approx. 250 cases are being referred to the Department's Intreo Offices for investigation on a monthly basis. The operation of the OFP model will be reviewed mid-year to assess its on-going effectiveness. Work on the DA and Jobseekers models is progressing and it is planned that they will both be operational by mid-2016.

Overall, the Department believes that investment in predictive modelling will achieve a number of significant outcomes:

- An enhanced ability to predict which claims are likely to be non-compliant with a resultant focus on those cases for review;
- Better targeting of investigative resources at higher risk and higher yield cases with an overall increase in control savings;
- Potential future areas of focus in terms of predictive analytics will be considered by the Department later in 2016.

2.7 Fraud & Error Surveys

The Department is very conscious of the need to ensure that the expenditure it incurs has been applied for the purposes for which the money was made available by Government. To this end, it undertakes a number of Fraud and Error Surveys each year to identify the level of risk associated with particular schemes. The surveys involve reviews of a random sample (usually 1,000) of claims in payment to establish if the claimants are entitled to the payments they are receiving and if so, whether the correct amounts are being paid.

The outcomes allow the Department to identify risks with the operation of schemes and help identify the steps that may be necessary to implement improvements to better manage or eliminate the risks identified.

During 2015, surveys were finalised on Illness Benefit and Invalidity Pension. The surveys showed that both schemes are considered low risk, as outlined below.

Survey Outcome: Illness Benefit

The Department spent approximately €626 million on Illness Benefit in 2014. The Fraud and Error survey was undertaken on a representative sample of 1,000 claimants in November 2014. Results indicate the net cost of fraud and error in November 2014 was 0.4% of expenditure. The incidence of fraud was estimated at 0.3% and error at 0.1%. These low rates of fraud and error observed in the survey were consistent with similar results for other non-means tested schemes. The overall net fraud and error rate of 0.4% is identical to that found in a similar survey of the Illness Benefit scheme in 2006

Survey Outcome: Invalidity Pension

Expenditure on Invalidity Pension was approximately €652 million during 2014. A Fraud and Error survey of a representative sample of 1,000 claimants was undertaken in November 2014. Results indicate the net cost of fraud and error in November 2014 was 0.5% of expenditure. The incidence of fraud identified in this sample was estimated at 0.1% and error at 0.4%. All identified cases of fraud and error centred on entitlement to additional means-tested or family circumstances-based allowances rather than on eligibility for the primary payment.

Three further surveys are now underway - on Farm Assist, Family Income Supplement and Household Benefits Scheme. These are scheduled to be completed in mid-2016. Three additional surveys are also due to get underway this year – State Pension Contributory (due for completion Q4 2016), Carer's Allowance (due for completion Q2 2017) and Supplementary Welfare Allowance (due for completion Q3 2017).

Section 3: Debt Recovery & Deterrence

3.1 Overpayments & Debt Management

Recovery of debt is an intrinsic part of the administration of all social welfare schemes. Debt arises in the context of an overpayment which can result from:

- An error made by the customer or the Department; or
- The customer not informing the Department of a change in their circumstances that affected their rate of payment; or
- The customer intentionally giving false information to receive a payment to which they were not entitled.

The Department actively pursues overpayments and works with individuals to secure repayment of any funds overpaid to them for whatever reason. Overpayments can take a number of years to be fully recovered and the Department takes into account the personal circumstances of the person in determining the repayment process.

Overall, in 2015, it should be noted that:

- The Department recorded overpayments to the value of €115 million. This was a decrease of 7% on the recorded figure of €124 million in 2014.
- Some €83 million or 92% of the target (€90 million) was recovered in 2015 (note: this figure is subject to audit by the Comptroller & Auditor General).
- Some €35 million of repayments were achieved from reductions in existing social welfare payments and €38.4 million from repayments made directly to the Department.
- The value of outstanding debt due to the Department at the end of 2015 was approx. €437 million, up approx. 4% on the previous year (€421 million).

The Department's Debt and Receipts Accounting System (DRAS) is the key system for recording all debt and recovery. In operation

for approximately 1.5 years now, DRAS has introduced new automation in recovery and communication on all Departmental debt matters and has also increased the range of repayment options for debtors.

12. Review of overpayments

In 2014, work was carried out to identify Child Benefit customers with an overpayment who were in receipt of a primary social welfare payment but where no repayment plan was in place. Some 640 cases were identified and each customer was notified of their debt. By end 2015, some 90% of these cases were either fully recovered or are now reimbursing the Department.

3.2 Prosecutions

It is the Department's policy to consider for prosecution cases of fraud against the social welfare system. The Department ensures that all cases that merit prosecution are forwarded for consideration of legal proceedings. In considering, or when referring, cases of social welfare fraud for legal proceedings, the Department applies defined and recognised best practice standards. This includes the duration of the fraud, amount overpaid, previous incidences of social welfare fraud etc.

During 2015, 202 criminal and 6 civil cases were referred to Chief State Solicitor's Office (CSSO) for criminal prosecution. At the end of 2015, 598 cases (criminal and civil) were in the courts system at various stages of the process.

Where the Department encounters serious fraud cases, its policy is to ensure that such cases come before the courts. While the Department can take such prosecutions under social welfare legislation, in cases where serious cases of identity fraud or multiple claiming occur, these are generally referred to the An Garda Síochána for prosecution under Criminal Justice legislation. During 2015, 151 cases were referred to An Garda Síochána for consideration of prosecution under Criminal Justice Legislation.

13. Unlawful claims

In October 2015, at Donegal Circuit Court, a couple were convicted of fraud charges committed over a three year period during which they unlawfully collectively claimed almost €45,000 in social welfare payments. The court heard that the couple submitted false birth certificates and utility bills to the Department of Social Protection in order to make the claims. One individual was given a jail sentence of three years, suspended on condition that he makes quarterly repayments of the outstanding €9,900 over the following two years and is of good behaviour for the next three years. The other individual was given an 18 month sentence, suspended on condition that she keeps the peace for 18 months.

14. Working under an assumed identity

In May 2015, an individual was convicted and received a three year sentence (suspended) for offences committed under Section 26 and Section 6 of the Criminal Justice Act 2001. He was also required to commit to good behaviour, otherwise if convicted before the Courts again, the 3 years will become a custodial sentence. The case involved the person concerned working under an assumed false identity and concurrently claiming Jobseeker's Allowance. The amount of the fraud was €15,660 and was repaid in full.

15. Claiming under an assumed identity

In August 2015, at Dublin Circuit Criminal Court, an individual was convicted and received a two year sentence (suspended). The individual had claimed Jobseeker Allowances under her own name and also under an assumed identity. Full reparation of the €22,883 fraudulently obtained was made.

Section 4: Key priority areas for 2016

4.1 Special Investigation Unit

- **Hidden economy** - the continued identification and active policing of the hidden economy where there is a prevalence of social welfare fraud and abuse. This will be done in conjunction with other agencies through a combination of intelligence collation, assurance checks and outdoor operations including inspections and direct investigations.
- **Identity fraud/multiple claiming** - prioritising the investigation of potential cases of identity fraud/multiple claiming. All cases where identity fraud is suspected in the context of Public Service Card roll-out and the use of facial recognition software will be investigated and referred for consideration of criminal proceedings under Criminal Justice Legislation. The Unit will also participate and contribute to the multi-agency Identity Fraud Network.
- **Construction sector** - undertaking site visits and inspections on construction sites where such projects are being publicly funded will be a key part of the SIU's work in 2016. The Unit will also be examining contractors and employees engaged on sites with specific emphasis on identifying "bogus" self-employed contractors and insurability of employment.¹
- **Undisclosed financial assets** – the Unit will undertake systematic investigations on social welfare means-tested claims where it has been identified that Deposit Income Retention Tax has been paid on capital invested which has not been disclosed.
- **Habitual residence** – case investigations and dedicated projects will be undertaken with regard to non-habitual residence in the jurisdiction.
- **Predictive analytics** – cases and projects will be identified for investigation through the use of the analytics database.
- **Data matching projects** - systematic case investigations will be undertaken where data matches have taken place between the Department and other agencies under the appropriate legislative provisions.
- **Cross Jurisdictional Fraud Investigation** – the Unit will undertake case investigations and deal with requests for mutual assistance from other social security agencies on cross jurisdictional social welfare fraud. The Unit will also participate and contribute to Cross Border Operational Forum with NISSA (in Northern Ireland) and the DWP (in the UK).

1. A public consultation process on the use of intermediary type employment structures and self-employment arrangements, and their impact on tax and PRSI is underway. The objective of this consultation process is to invite submissions from interested parties on possible measures to address the loss to the Exchequer in tax and PRSI that may arise under arrangements (i) where an individual, who would otherwise be an employee, establishes a company to provide his or her services, and (ii) where an individual, who is dependent on, and under the control of, a single employer in the same manner as an employee, is classified as a self-employed individual. Twenty-three submissions have been received and are being examined by the Dept of Social Protection, Dept of Finance and the Revenue Commissioners.

4.2 Other areas in the Department

- **Ongoing review of entitlement** – the Department will continue to review entitlements across all social welfare schemes with a view to enhancing its control policies and ensuring that people receive their appropriate payment. Overall, 1 million reviews and €510 million in control savings are proposed for 2016.
- **Analytics models** - rolling out the predictive analytics models for jobseeker schemes and Disability Allowance is a key priority for 2016 and will ensure that the Department's fraud and detection outcomes across its main working age schemes continue to be improved and enhanced.
- **Recovery of overpayments** – the Department will continue to focus on recovering overpayments and prosecuting cases where this is considered appropriate. Targets of €90 million (in overpayment recoveries) and 400 prosecutions have been set for 2016. The continuous improvement of its debt management practices and procedures is a priority for the Department.
- **Public Service Card** – the continued roll-out of the PSC with 625,000 to be issued in 2016. The PSC is a key component in the Department's drive to tackle identity fraud and multiple claiming of social welfare payments.

Compliance and Anti-Fraud Strategy 2014 – 2018

Headline Results for 2015 and Targets for 2016

| Pillar | Area of Activity | Target Set 2015 | Target achieved | Target set 2016 |
|------------------------------|---|--|--|---|
| Prevention/ Detection | Control Savings | €510m | €464m | €510m |
| | of which achieved by the Special Investigation Unit (SIU) | €75m | €69m | €75m |
| | Control Reviews Undertaken | One million reviews | Over 1.1 million reviews | One million reviews |
| | Public Service Cards (PSC) issued | 3 million PSCs to be issued by end 2017. | As of the end of 2015 1.75 million PSCs were issued. | 625,000 |
| | Predictive Analytics Modelling | Analytics models for three main working age schemes to be rolled out in second half of 2015. | Work on Jobseekers Allowance, OFP and DA models progressed and piloted. OFP model in operation. | Jobseekers and Disability Allowance models to be rolled out and in operation. OFP model to be reviewed. |
| Fraud & Error Surveys | Four surveys to be commenced and progressed. | Illness Benefit & Invalidity surveys completed. Surveys on Farm Assist, FIS & HHB commenced. | Completion of 4 surveys: Farm Assist, FIS, HHB and State Pension Contributory. Carers Allowance & SWA surveys commenced. | |
| Debt Recovery/ Deterrence | Overpayments recovered | €90m | €83m (figure subject to audit) | €90m |
| | Prosecutions submitted | 300 cases | 208 cases to Chief State Solicitor's Office (CSSO) 151 cases were referred to An Garda Síochána (total 359 cases). | 400 cases |