

Appendix 1

Department of Social Protection – update for the Public Accounts Committee on recommendations contained in C&AG’s Annual Report for 2010

Chapter 33 – Welfare and Employment Schemes

This chapter consolidates and summarises expenditure on welfare and employment schemes met from various public accounts, setting out the source of the funds applied over the past four years, together with 2011 estimates. Provisional expenditure figures at end May 2012 in respect of Vote 37 – Department of Social Protection and the Social Insurance Fund are set out in Appendix 2.

Conclusions / Recommendations

There were no recommendations in this chapter which is largely statistical however the C & AG did note progress with regard to the roll-out of new activation measures by the Department. The Department has continued with this progress and the following update may be of interest to the Committee.

- The Community Welfare Service of the HSE was integrated with the Department on schedule in October 2011. This entailed the transfer of c 1,100 staff.
- The Employment Services and Community Employment Divisions of FÁS were transferred into the Department on schedule on 1 January 2012. This entailed the transfer of c 750 staff.
- Department organisation structures and systems have been revised to incorporate these new staff and the functions they perform and integration of services is on-going at an operating level.
- As part of this process of integration, and as committed in the project plan for the establishment of the National Employment and Entitlements Service, the Department has developed and is implementing a new service model.
- The purpose of this new service model is to address identified deficiencies in the State’s approach to the provision of employment and income support services and, in doing so, to:
 - a) expand and improve the quality of the employment services provided to unemployed people.
 - b) draw a clear linkage between an individual’s *entitlement* to income support and their *responsibility* to engage with the State’s employment services and
 - c) facilitate the development of a new approach to the delivery of training and further education.
- Good progress has been made to date. The new service model has been specified in detail and formed the basis for the Pathways to Work policy launched by Government

in February 2012. This model was developed by a working group of the Department using inputs from internal and external stakeholders. As referenced in paragraph 33.21 of the C&AG report one of the key objectives of this service model is to tailor the type of intervention offered to clients in accordance with the profile data captured when the client first registers for income and employment supports.

- Pilots of the ‘one-stop-shop’ integrated service are being finalised in four local offices and it is intended that all elements will be rolled out to at least fourteen offices by the year-end.
- In advance of the roll-out of the full integrated service, which of its nature will take some time, key elements of the new service model – client Profiling and Group Engagement – are being rolled out nationwide during 2012. Our target is to profile 150,000 clients during 2012 and to host 30,000 of these clients at Group Engagement sessions and we are on track to meet these targets.
- Increased conditionality was introduced in April 2011 whereby clients who fail to engage with the Department’s activation programmes may be placed on a reduced personal payment rate of €144 (full payment rate is €188 per week). c 850 clients have since been placed on reduced payments.
- The number of places and participants on activation programmes has increased by c 10,000. – Mainly due to the success of the JobBridge and TÚS initiatives.
- In the year to date (2012) 43,000 people have benefitted from inclusion in an activation programmes such as Jobbridge, Community Employment and TÚS. A further 37,000 have received employment and back to education supports such as the Back to Education Allowance and the Back to Work Enterprise Allowance.
- The Department of Social Protection and the Department of Education and Skills are also working closely together to ensure that SOLAS, when established, will plan and prioritise its services so as to ensure that unemployed people have access to the type of training/further education programmes that will improve their prospects of returning to the active workforce.

Social Insurance Fund

The actuarial review of the Social Insurance Fund is currently being finalised. The review will be presented to the Minister for Social Protection this month (June). The Minister will in due course bring the report to Government.

Chapter 34 – Welfare Overpayments

Conclusions / Recommendations

The Department has signalled its intention to review its overall approach to the recovery of overpayments and, in particular, those that are due to fraud. It indicated that the terms of this review will extend to:

- *options to remove current restrictions on overpayment recovery,*
- *the recovery of overpayments through the tax system, from State payments such as redundancy payments, farm payments and student grants,*
- *the pursuit of overpayments from other Member States to which foreign nationals with overpayment debts have returned.*

Update

The Department is committed to reviewing its overpayment recovery policy, particularly in the context of overpayments that have arisen from social welfare fraud. A number of options are being progressed in that regard, in particular:

- ***removing the current restriction on the recovery of overpayments:***

This was pursued in the context of the 2012 Social Welfare Bill. However, a number of issues arose following consultation with the Attorney General's Office, most significantly around reducing social welfare payments below the Supplementary Welfare Allowance (SWA) rate. These issues were too complex to be addressed in the time frame for the Bill. To this end, a working group with representatives from SWA, Social Inclusion and Control Divisions of the Department has been established and is examining these issues with a view to bringing legislation in time for the next SW Bill in late 2012.

- ***the recovery of overpayments through the tax system, from State payments such as redundancy payments, farm payments and student grants:***

Recovery of overpayments through the tax system is being considered by the DSP/Revenue High Level Group. This will most likely require legislation on both Revenue and DSP sides to support this type of recovery. A sample of fraud overpayment cases that are "off funds" (i.e. not currently on SW payments) has been isolated to ascertain what the position is regarding their current tax credit situation and whether there is prima facie potential for recovery from this sample. It has been agreed by the Group to proceed in principle and, therefore, the work necessary to operationalise this measure is being progressed.

With regard to recovery from farm payments and student grants, the Department wrote to the Departments of Education and Science and Agriculture in March 2012 asking them to examine the issue from their perspective. The Department has sought meetings with both Departments to discuss the issue in detail. The question of recovering monies from redundancy payments is also being considered in the Department. Initial indications are that legislation will be required to support the recovery of monies in all such cases.

- ***Pursuing overpayments from other EU Member States where foreign nationals with overpayments assessed against them have returned home.***

There is a mechanism in place to recover overpayments from social welfare payments made in another country under EU Regulation. However, there are a number of issues

that the Department needs to consider in order to establish how best to progress the matter:

- How can we establish that a person with an overpayment has gone abroad;
- How can we establish where they have gone to live;
- How do we know if they are in receipt of a social welfare payment from another country; and
- Are there domestic issues that apply in a particular country e.g. issues similar to the SWA issue here i.e. a minimum income that must be paid that would prevent overpayment recovery.

The Department is committed to considering these issues with a view to establishing if this avenue for recovery can be pursued.

Chapter 35 – Regularity of Social Welfare Payments

Conclusions / Recommendations

It is important that the Department carry out fraud and error surveys on an on-going basis in order to inform itself on the level of fraud and error in its payments. The identification of the level of irregular payment needs to be followed by on-the-ground measures to reduce the incidence of fraud. From an accountability perspective, the burden is on the Department to demonstrate that any subsequent measures have reduced the rate of irregular payment. More frequent surveys are necessary to inform departmental administration and control activity, and to allow it to demonstrate the discharge of its accountability for the regularity of its payments.

Update

The Department has accepted the conclusions in this chapter.

Under the Fraud Initiative published in September 2011, the Department has set out a medium term programme for fraud and error surveys across all the major schemes. It is committed to carrying out two surveys per year as set out below:

Year		Scheme	No. of Cases	Previous F&E Rev
2011	May	OFP (completed)	1,000	Sep 07
	Sept	JB (completed)	1,000	May 03
2012	April	Child Benefit (underway)	1,000	Nov 04
	Sep	JA	1,000	Oct 09
2013	Apr	Invalidity	1,000	none
	Apr	Illness Benefit	200	Sept 06
	Sep	W&SCP CP	1,000	None
2014	Apr	FIS	500	Aug 05
	Apr	Free Schemes	500	None

	Sep	Carer's Allowance	500	None
	Sep	Farm Assist	500	None
2015	Apr	State Pen Non-Con	1,000	May 07
	Sep	State Pen Con	1,000	Apr 08
2016	Apr	DA	1,000	Nov 10/11
	Sep	OFP	1,000	2011
2017	Apr	SWA (incl. Rent)	1,000	None
	Sep	JA	1,000	2012

As the table above outlines, smaller sample sizes will be used in the forthcoming surveys in the case of smaller expenditure schemes e.g. FIS, Carer's Allowance, Free Schemes and Farm Assist. In the case of Illness Benefit, where there were very low levels of fraud when it was last surveyed, the planned next survey of the scheme will focus only on the sector of highest risk and greatest expenditure i.e. those on continuous duration IB, from which 200 cases will be selected for the survey.

Professional statistical oversight and quality control of the surveys is provided by a senior statistician who is seconded to the Department from the Central Statistics Office. The methodology for conducting the surveys has been agreed with the Comptroller & Auditor General's Office.

Three fraud and error surveys have recently been finalised – Disability Allowance, One Parent Family Payment and Jobseekers Benefit. The key findings are as follows:

- Disability Allowance – Net cost of fraud and error – 2.1% of expenditure
- One Parent Family Payment – Net cost of fraud and error – 2.7% of expenditure
- Jobseekers Benefit – Net cost of fraud and error - 1.6% of expenditure

Copies of the detailed survey reports will be sent to the Committee under separate cover this week.

It is also worth noting in this context that the Department is currently piloting a predictive risk analytics project to establish whether fraud investigation and control can be enhanced through the application of such models. Predictive analytic models allow for all data held by an organisation, such as the Department, to be comprehensively analysed to indicate and predict where higher incidences or risks of fraud and error may occur amongst certain cohorts of customers. Using a series of risk indicators, 1,000 jobseeker cases have been identified and will be investigated by Social Welfare Inspectors over the coming weeks, similar to the work they undertake on fraud and error survey cases.

The results of the pilot are expected in the autumn and decisions on the future use of such models will then be made in the light of the outcome.

Chapter 36 – Control Measures at Scheme Level

Conclusions / Recommendations

Management checks and daily verification checks are fundamental elements of a controlled processing system. The management controls were not fully operated in respect of Jobseekers payments during 2010 even at the reduced levels that were permitted from March 2009 onwards. The daily verification procedures had not been operated at the Cork Local office for most of 2010. In the absence of these controls, the Departments exposure to incorrect or invalid payments being made and remaining undetected is substantially increased.

The Department has acknowledged these control weaknesses and has signalled its intention to strengthen both take on controls and on-going review of cases now that the claim load has stabilised.

In order to target control resources on the basis of the risk of fraud and error, the Department has sought to introduce risk rating at both the scheme and claimant level.

Risk rating at scheme level is based on the results of fraud and error surveys and scheme risk assessments. However, both the fraud and error surveys and the scheme risk assessments in respect of the main schemes were completed a number of years ago and may not reflect the changed environment or the application of additional controls since the surveys or risk assessments were completed.

In order to position itself to allocate resources to control activity on the basis of scheme risk, the Department would need to devise a three-year cycle for conducting fraud and error surveys and risk assessments for the main schemes, with a provision to revise the risk assessments more frequently if there were significant changes in the environment.

Risk rating of claims allows the Department to target its control activity within schemes. Such a system would seek to categorise claimants by reference to particular characteristics and devise a control strategy, which allocates the majority of resources at those claimants who present the highest risk.

The Department commenced with Disability Allowance claimants. To date only a small proportion of claimants have been risk rated and it has not been followed up by the development and operation of a structured review process.

Update

The Department accepts the conclusions in this chapter.

The stabilisation of the claim load in 2011 has facilitated a greater focus on control activity. A range of initiatives have been rolled in this regard, including the following:

- In August 2011, 8 control seminars were held with staff involved in investigative and control activities in the Department with a view to reinforcing the need for a robust control environment and highlighting the opportunities that arise with the integration of the Community Welfare Service and the FAS staff into the Department;

- Over 30 seminars were held in October and November 2011 for all clerical and executive staff of the Department which included presentations and question and answer sessions on fraud and control issues;
- During October and November 2011, Control Division met with all scheme areas and the Regions to discuss controls, risk assessments, reviews and savings targets, overpayments and prosecutions;
- In November 2011, an Oversight Group on the Fraud Initiative was established at PO/Assistant Secretary level comprising representatives from the main scheme areas. The Group has met twice to date and is monitoring the on-going implementation of the Initiative;
- A stakeholder's seminar on the Fraud Initiative was held in December 2011. Representatives from employers, trade unions and the community and voluntary sectors attended;
- In addition, on-going training was provided in 2011 to as part of the Front Line Manager courses and to local offices and regional staff on control issues;
- In January 2012, Control Division also held a seminar for all Area Managers (non-SIU) in order to heighten awareness of control work at AM level and among Social Welfare Inspectors and local office staff; and
- As outlined in the responses to chapter 35, the Fraud Initiative includes a medium-term programme of fraud and error surveys covering the period 2011 to 2016. The Department intends to carry out two surveys each year over the coming years. Following on from these surveys, review policies for each scheme are examined and updated, where appropriate.

With regard to management controls, the Department acknowledges that controls involving manager's checks and daily TIS verification were not fully operated in respect of jobseeker payments during 2010. This reflected the fact that the primary focus in local offices at that time was to process claims and to manage the significant increase in applications which arose following the surge in Live Register numbers.

The normal balance between customer service and control is now being restored and the strict operation of Internal Control procedures, including managers checks and daily TIS verification is once again a key performance indicator for Divisional Managers and their staff.

In this context, it should be noted that:

- the standards to be applied in the implementation of internal control procedures in offices were re-issued in 2011 (in RSO circulars 23/11 and 71/11). These circulars set the minimum requirements which management must apply in order to protect staff and to preserve the integrity of the Department's data and schemes. Managers are required to issue a summary of the requirements to all staff on an annual basis and to give a copy to

newly appointed staff on arrival. In all cases, staff must acknowledge that they have noted the contents.

- At the first meeting of the new regional management structure in early May, control issues were discussed in detail and the Department's Internal Control Support Unit was invited to brief the group on its work. The importance of TIS management audit, TIS verification, system controls and data protection was stressed. The key message to Divisional Managers was that internal control is all of our responsibility as senior managers and we need to ensure that control checks are carried out with rigour.
- In 2011, Internal Control Support Unit carried out 13 internal control inspections (4 local offices and 9 associated Branch Offices).

In terms of jobseeker reviews, during 2011 some 982,580 control reviews were carried out on schemes yielding savings of €645.57 million. As the table below shows, over 222,000 reviews of Jobseeker claims were carried out which yielded savings of over €82m.

Scheme	Savings			Reviews		
	Target €m	Achieved €m	%	Target	Achieved	%
Jobseekers	90	82.54	92	150,000	222,272	148
Illness	110	92.13	84	188,500	191,640	102
OFP	108	166.8	154	72,000	103,514	144
Pensions (inc HHB)	93.5	167.45	179	32,000	39,532	124
Child Benefit	82.5	87.64	106	302,000	392,624	130
Carers	20	11.27	56	5,500	3,060	56
FIS	15	12.57	84	26,000	26,795	103
SWA	15	14.95	100	n/a		
PAYE/PRSI	6	10.22	170	4,000	3,143	79
Total	540	645.57	120	780,000	982,580	126

In this context, it should be noted that the Department has set up a working group to look at current procedures and processes in terms of the manner and frequency of how jobseeker claims are reviewed. The group, under the chairmanship of one of the Department's Divisional Managers, is looking at gaps, risks and inadequacies in these procedures and will be considering ways to improve them and make them more effective. The group is expected to report by mid-July.

In terms of controls at take-on stage for jobseekers claims, the Department believes that the roll-out of the Public Services Card, which is currently underway, will play a significant role in this regard in terms of minimising identity fraud. Under the new arrangements, which are

backed by legislation, the Department will retain both a photograph and electronic signature for new claimants.

Disability Allowance cases

In relation to the 100 Disability Allowance (formerly Disabled Persons Maintenance Allowance) claims which were initially assessed and awarded by the HSE, this work is underway and initial assessments will be completed (in the majority of cases) in the next few weeks. Where the assessment results in a claim being disallowed, a customer may request a review of the decision and/or s/he may appeal to the Social Welfare Appeals Office. In cases where the customer has not supplied the information requested by the Department in order to review their eligibility, the cases have been referred to an investigative office of the Department to carry out a review.

It should be noted that results from the recently completed DA fraud and error survey indicate a significantly reduced risk of change in circumstances (including medical eligibility) for claims with a duration of 10 years or more. The outcome of the sample survey of 100 claims will be examined, in conjunction with the outcome of the fraud & error survey, in order to establish the relative risk of this cohort and to devise a comprehensive and cost-effective strategy to review them.

With regard to the risk based review model, it should be noted that:

- A risk-based model of reviewing DA claims has been in operation since 2009. The purpose of the policy is to target control resources on claims where there is most likely to be a change in entitlement.
- Under the risk-based review model, the deciding officer assigns a control risk rating in relation to the likelihood of a change arising in a customer's means when making a decision on a new claim or when doing a revised decision on an existing claim.
- Since February 2012, all new DA claims are being processed on a new computer system. On the new system, a risk rating in relation to means is recorded and the risk rating relating to medical circumstances is recorded on the medical component of the system based on the outcome of the customer's medical assessment. A total of approximately 600 new DA cases have been awarded and risk-rated on the new system between 1 February 2012 and 30 April 2012.
- The total number of DA cases reviewed by Longford HQ in 2011 was 13,356, including 1,942 cases that were already recorded as high risk and 855 cases that were recorded as medium/low risk. The balance of reviews in 2011 consisted of cases identified through data matching exercises and anonymous reports – cases identified in these ways are categorised as high risk under the DA control policy. Where a DA case is reviewed and remains in payment, the risk-rating is recorded or updated, as appropriate.
- Since the risk-based model was introduced in 2009 (replacing the previous 'review date' model) and up to the end of January 2012, a total of 37,700 DA cases have been risk rated in the means category and 17,478 have been risk rated in the medical category.

- The risk assessment of the DA scheme is currently under review in light of the recent fraud and error survey conducted in the scheme.

With regard to Invalidity Pension, and in the context of finite resources, priority is given to reviewing cases with a one year referral. The Department intends to review a sample of claims with a referral date of two years or more, or where no category is recorded, with a view to assessing the relative risk and appropriately prioritising the reviewing of this cohort. The sample review and assessment of risk will be completed by the end of July and the control strategy for the scheme updated and implemented accordingly.

All cases that have been found to be working while claiming Invalidity Pension are now medically reviewed.

Chapter 37 – Information Driven Controls

Conclusions / Recommendations

The Department receives a significant amount of information from third parties. Matching this information with the Department's own information in relation to claims in payment allows the Department to identify instances of fraudulent claiming of welfare payments.

A review of the Department's activities in this area during 2010 identified delays in the receipt and matching of some categories of information.

In response to the audit enquiries, the Department stated that it is putting new procedures in place to ensure more timely receipt of third party information and more efficient data matching.

The audit review found data matching identified large numbers of claimants where further investigation was required.

While a significant proportion of cases referred to local offices were not followed up, where investigations were completed, overpayments were raised in 36% of cases and in a further 14% of cases, claims were terminated or reduced.

Update

The Department accepts these conclusions and is working towards their implementation.

The Department has, in the last number of years, been engaged in a series of data matching exercises with other Government Departments and public bodies for control purposes.

Data matching is viewed as an efficient and effective mechanism to target control related activity. The Department undertakes a number of existing data matches with other Government Departments & Agencies on a systematic basis, including the following:

- Revenue Commissioners;
- Irish Prison Service;
- Third Level Institutions;
- General Register Office (GRO);
- Commission on Taxi Regulation;
- Department of Work & Pensions (UK State Pensions Match); and
- Probate Office.

Other matches which have been undertaken on an ad hoc basis include data held by:

- Personal Injuries Assessment Board;
- Private Residential Tenancies Board; and
- The Private Security Authority.

The Department has improved the timeliness it is receiving data, for example, since September 2011, the Department receives data from the Prison Service on a weekly basis. As a result, the potential for fraud in respect of persons in prison is virtually eliminated and any overpayments are minimised. Similarly, data from third level colleges in respect of student registrations was received much earlier in 2011 than in previous years. We now begin receiving and matching data from colleges the first week after registration takes place in October, as opposed to previously matching data from colleges in the second college term (January/February).

It should also be noted that a dedicated data matching unit has been set up within Control Division. As well as developing existing data matches, this unit will also be exploring the potential for additional data matches. It will also undertake decision sampling on data matches to ensure the match is worthwhile from a control perspective prior to sending to scheme areas or divisions.

Control Division is pursuing better tracking and follow-up of data matches to ensure matches are dealt with in a timely manner and that appropriate reports on each match can be produced. Information Services and Control Divisions are working together to progress the development of IT solutions in this area. For example, the weekly prisoner data match is now partially automated and reports are emailed directly to local offices and scheme areas for follow up. Each data match is given a project number and savings are recorded under this number.

The Department is actively progressing the further automation of the commencement of employment reports. Once this is in place, an automatic letter will issue to every social welfare customer for whom a commencement of employment notification has been received, informing the customer of this fact. They will then be given 14 days in which to contact their local office or their payment will be suspended. The new system will significantly cut down on the manual interventions, time delays and overpayments occurring on such cases. It is planned to have this system in place by the autumn.

The Department's Information Services Division has carried out end of year earnings data matching directly for scheme areas e.g. OFP, Carers, Invalidity and Treatment Benefits. The

value of carrying out an earnings data match for jobseekers is currently being examined. In this context, it should be noted that a person on a jobseeker's payment could legitimately have end of year earnings in the previous tax year if they were working prior to making a jobseeker's claim.

Chapter 38 – Measuring Review Outcomes

Conclusions / Recommendations

Notwithstanding the rate of recovery of overpayments is relatively low, in calculating control savings, the Department currently includes the total value of overpayments raised as a result of control activity. The Department should develop, based on historic evidence, an estimate of the proportion of overpayments that it expects to recover in order to compute the level of bankable savings arising from overpayments raised as a result of control activity.

The audit identified deficiencies in the information systems used to record control savings. In order to address these issues, the Department has commenced a reconciliation process, since mid-2011 — which will reconcile local data with the total reported — and plans to develop a new computer system for recording savings which will allow for enhanced management information. It also plans to conduct further training with local office staff in 2011 to re-emphasise the importance of recording savings correctly.

Update

The Department regards all overpayments assessed as recoverable, albeit over varying periods of time.

As outlined above in the response to chapter 36, in 2011 Control Division provided training directly to a number of local offices and assisted in the Front Line Manager courses that are being rolled out to all new staff. Raising awareness of overpayments and recovery processes formed part of the training and information provided.

In addition, Control Division carries out validation exercises as part of the overall effort to standardise control savings claimed and to ensure they are in accordance with the control savings guidelines. These involve an examination of the various control savings of scheme sections and local offices to ensure that savings are being compiled and calculated in accordance with the guidelines for determining control savings. Each scheme section and local office must have available a record of individual savings cases returned each month, giving a breakdown by scheme type and showing PPS number, weekly saving and control activity from which savings arose.

In 2011, validation exercises on control savings were carried out in the local offices in Limerick, Kings Inn and Carrick on Shannon and on savings recorded by Social Welfare Inspectors in Carrick on Shannon. Following these exercises, training is tailored to the specific requirements, as identified.

Circular 68/11 (Overpayment Recovery) and Circular 76/11 (Overpayment from encashments by other persons) issued to local and branch office managers, area and regional managers, inspectors and scheme owners in early October and mid November 2011 respectively.

Separately, legislative proposals are being examined to increase the recovery rate on overpayments. These are outlined in the response to Chapter 34.

The Department recognises that there are information deficiencies in relation to recording control savings. In this context, it should be noted that a new IT based system has been developed which is currently being rolled out to scheme areas and regional divisions. The new system will allow for a more consistent method of recording savings and for a better audit trail of savings claimed.

Control Division is now carrying out quarterly reconciliations on savings figures provided by scheme areas and regional offices. Where issues arise, these are clarified and corrected with the areas concerned at the time.

The Division also carried out exercises on savings claimed on OFP and JA schemes with a view to determining the appropriateness of the current multipliers. It is now undertaking a review of the multipliers on all the main schemes, with a view to validating and revising all multipliers, where appropriate.

In relation to information received from the General Registry Office (GRO), the position is that:

- Control savings result from a control activity where a claim is reduced or terminated as a result of unreported customer error or fraud. The saving is the future amount of money estimated to be saved by the Department on a claim in payment.
- Where the Department receives information from the GRO that a customer is married or dead, and the consequence is that the social welfare claim is stopped, then the savings are counted because it arose from an unreported event.
- Most customers or their relatives, personal representatives or solicitors notify the Department of customer's deaths (or marriages). Where such cases are reported and stopped, there is no control saving.
- However, where such reporting did not occur, and the irregularity was discovered as a result of the GRO data, and the claim is stopped, then it is counted as a saving.

As outlined above, a review of all multipliers is currently underway. The validity and value of the multiplier in the case of GRO death data will be examined as part of this review.

Chapter 39 - Bank and An Post Reconciliation

Overview

This chapter highlighted deficiencies in the Department's procedures for reconciliation of bank and An Post transactions. Under the heading "*Views of the Accounting Officer*" in the earlier part of the Chapter dealing with Bank Reconciliation, four adjustments or enhancements designed to address those deficiencies are listed. The Chapter stated that the first of the four had already gone live in February 2011 and the fourth was a business procedure change that had been implemented. The other two were:

1. Cancelled cheques would no longer be posted in bulk to the General Ledger (GL);
2. A period identifier would be implemented to facilitate period end reconciliation.

The progress made on these is summarised as follows –

Enhancement	Progress to 8 June 2012
Cancelled cheques will no longer be bulked when posted to the ledger facilitating their removal from reconciliation reports. (39.11)	Software implementing a change whereby cancelled cheques will no longer be posted in bulk has been developed. The main functionality of this change has successfully completed User Acceptance Testing. Pending successful completion of a final test, it is proposed to put it live by end June 2012. Cancelled cheques will then be posted individually using the cheque number as reference ID for matching and removal from the system.
To update transactions historically and update period end reconciliation. (39.11)	The period identifier to update transactions historically in order to facilitate period end reconciliation has been put live. Minor differences in the period end reconciliation between the bank statement and GL are being traced with a view to them being eliminated.

Under the heading "*Views of the Accounting Officer*" in the later part of the Chapter dealing with An Post Reconciliation, two further adjustments or enhancements designed to address deficiencies are listed:

1. An automated monthly reconciliation of cash accounts produced by DSP with cash accounts produced by An Post would be produced;
2. The posting period of reconciled encashments would be changed from reconciliation date to date of encashment in the post office.

The progress made on these is summarised as follows –

Enhancement	Progress to 8 June 2012
To produce an automated monthly reconciliation	A new report has been designed which will

of cash accounts produced by DSP with cash accounts produced by An Post. (39.17)	extract data from DSP's books and replicate the cash account being produced by An Post. The reconciling amounts between DSP and An Post will be DSP payment exceptions. This will provide an audit trail and reconciliation between DSP GL and An Post. This report has been delivered and is currently under test. The report is being populated as expected and the results to date are positive but, due to performance issues, it is being tested on a limited volume of data. These performance issues are currently being addressed by the software company.
To change the posting period of reconciled encashments from reconciliation date to date of encashment in the post office. (39.17)	The changing of the posting period of reconciled encashments to date of encashment in the post office has successfully completed full user acceptance testing and will go live by end June 2012.

More detailed commentary on the Chapter is provided in the following pages.

Recommendation – Bank Reconciliation (Paragraph 39.11)

The Department needs to address its capacity to comprehensively and transparently reconcile its account balances with those of its banks. It is important that reconciliations be done at each month end within an accounting period.

Despite introducing a new computerised process, the Department continues to require additional work-around procedures to generate a standard format reconciliation and unverified differences following the reconciliation process continued to exist at 31 December 2010.

Update

In November 2011 a new (PARP) Bank Reconciliation Section was established within the Department's Accounts Branch whose priorities are to (a) reduce the value and volumes of contra amounts on the reporting system (b) produce end of year Bank Reconciliations and (c) produce monthly reconciliations going forward for 2012.

As part of the enhancements to the PARP system a new transaction period identifier to update transactions historically in order to facilitate period end reconciliation has been put live. Minor differences in the period end reconciliation between the bank statement and GL are being traced with a view to them being eliminated.

It is anticipated that this PARP enhancement combined with the new staff resources will address the concerns raised.

Recommendations (39.17)

Initiatives that might be considered by the Department include

☐ ***from a control perspective, putting in place procedures to reconcile bank balances on a monthly basis and to identify any period-to-period divergences***

Update

As stated above, extra staff resources have been put in place in the Bank Reconciliation area and technical enhancements have recently been put live on production to allow month end reconciliations to be performed from the system with new look back and drill down facilities for ease of analytical review. The first month end reconciliation with the new look back facility will be used for June 2012.

☐ ***from a governance perspective, having internal audit carry out annual year end projects to assure the Accounting Officer as to the accuracy and completeness of the reconciliations underpinning the accounts of the Department that are being presented for audit.***

Update

The Department's Internal Audit Unit has carried out a review of sample bank reconciliations in advance of the C&AG statutory audit. Their audit findings in regard to the accounts examined were positive.

□ *Because the payment administration of assistance and benefit schemes is integrated, it would be desirable that the accounts of the Vote and those of the Social Insurance Fund be produced and audited simultaneously. This would eliminate the risk that certain adjustments impacting on the Vote might not be detected in the course of its audit.*

Update

The statutory deadline for the submission to the C&AG of the 2011 Vote Appropriation Account was 31 March 2012. While there is no set statutory submission deadline for the financial statements of the Social Insurance Fund, both Vote and Fund accounts were submitted simultaneously for audit to the C&AG on 30 March 2012.

Recommendation – An Post Reconciliation (39.17)

A key element of the planned PARP system that was intended to ensure that the An Post balances could be independently validated was not delivered. Considerable differences exist between the balances recorded by both organisations.

Update

The significant differences in balances between An Post and DSP are of an historic nature representing payment instruments lost or stolen in An Post care for which they are seeking payment and continue to carry the balance in their books. DSP on the other hand have not made payment due to the lack of supporting documentation.

The Department needs to bring to a conclusion the work of reconciling the balances in the records of An Post with those in its own records. This would position it to better manage its banking relationship with An Post.

Update

98% of payments made by An Post on behalf of DSP are EIT (Electronic Information Transfer) related. DSP in conjunction with the PARP service provider have designed a new report which will extract EIT data from DSP's books and replicate the cash account being produced by An Post. The reconciling amounts between DSP and An Post will be DSP payment exceptions. This will provide an audit trail and reconciliation between DSP GL and An Post. A report has been delivered and is currently under test. However, due to performance issues, the report is being tested on a limited volume of data. The report is being populated as expected and while the results are provisionally positive they are limited by the scope of the test population data. The report now requires reworking by the service provider to address the performance issues.

It is intended that all An Post encashments will be posted to GL by the date of encashment in the Post Office by the end of June 2012. Cut off dates for posting have been agreed with An

Post and will now form part of the reconciliation procedure to reduce timing differences between the entities.

A manual reconciliation of balances between An Post and DSP continues to be used on a monthly basis.

Chapter 40: Rural Social Scheme

Recommendations:

The audit results suggested a need to

- *have greater rule clarity and consistent access practice for both projects and participants supported by the scheme*
- *improve project selection and evaluation processes*
- *improve monitoring and reporting of performance*
- *ensure that participant eligibility is regularly validated by reference to Department of Social Protection information*
- *ensure that audit and inspection of the scheme extends to administration by local implementing bodies.*

The findings of the review have particular implications for the delivery of Tús, specifically in relation to administration project level, output and performance reporting. The Department prioritised the development of supports systems for Tús to address these concerns and these will be further extended to the RSS during the latter part of 2012.

Update

A comprehensive review of the operational rules for the scheme has been undertaken and revised draft rules are currently subject to consultation with implementing bodies. The review, inter alia, reflected the outcome of work by the C&AG, the transfer of responsibility for the RSS to the Department of Social Protection and to promote identified good practice and ensure that, as far as was practical, a common set of rules and conditions applied to RSS and to Tús.

Additionally, as a result of other changes, the need to provide for improved controls are taken account of in the revision process and further work will be required in this respect, including on-site visits to implementing bodies to ensure eligibility and accuracy of expenditure.

Revised guidelines are being issued where necessary to include updated templates. These in the main relate to employee contracts and agreements for works to the undertaken with third party bodies.

The revised RSS rules are similar to those for Tús, which will ensure consistency of approach and aid implementation by the Implementing Bodies. It will also support the control function in respect of oversight of the operations of both initiatives by the Department. Discussions are on-going within a DSP working group on developing control functions across all work schemes areas (CE, JI, RSS, Tús and CSP).

All participants on the RSS at the end of 2010 were subject to a means validation process during 2011. Some 160 cases (around 5%) have been identified for further investigation and discussion are on-going to ensure that this work can be undertaken by Social Welfare Inspectors during the remainder of 2012.

Other control processes are also under way and will involve data-matching of participants and the social protection payments made to spouses and co-habitants of participants to identify irregularities.

Since the transfer to DSP, the RSS Unit has been examining the feasibility of Pobal extending its recently developed on-line reporting facilities for other programmes to include a performance management and project database for the RSS to become effective for 2012 at the latest. This should enable a more structured approach to planning the delivery of RSS resources locally with improved ability to set targets and measure performance across the activity measures. Pobal was asked to prioritise the development of a reporting tool for Tús which is currently subject to testing and is expected to be rolled-out in late June. This tool will be adapted for RSS later in 2012 to fulfil activity, performance and output data requirements across both schemes.

Appendix 2 Vote 37 – Department of Social Protection and Social Insurance Fund – Expenditure at end May 2012

Department of Social Protection - Overall Summary of Expenditure on Schemes, Services & Administration					INTERIM REPORT			
CURRENT MONTH				May 2012	YEAR TO DATE			
Expenditure	Estimate	Variance		Expenditure Breakdown	Expenditure	Estimate	Variance	
€000	€000	€000	%		€000	€000	€000	%
				A Vote 37 Expenditure				
44,709	43,906	803	1.8%	Administration	199,484	204,241	-4,757	-2.3%
976,113	950,169	25,945	2.7%	Schemes & Services	4,793,889	4,677,032	116,857	2.5%
1,020,823	994,075	26,748	2.7%	Vote 37: Expenditure on Schemes, Services & Administration	4,993,373	4,881,273	112,100	2.3%
164,441	143,402	21,039	14.7%	Exchequer Subvention to the Social Insurance Fund	924,474	750,546	173,928	23.2%
1,185,264	1,137,477	47,787	4.2%	GROSS VOTE 37 EXPENDITURE	5,917,846	5,631,819	286,028	5.1%
18,408	19,757	-1,349	-6.8%	B APPROPRIATIONS IN AID	96,880	99,586	-2,706	-2.7%
1,166,856	1,117,720	49,136	4.4%	NET VOTE 37 EXPENDITURE	5,820,966	5,532,233	288,733	5.2%
				Less				
164,441	143,402	21,039	14.7%	Exchequer Subvention to the Social Insurance Fund	924,474	750,546	173,928	23.2%
				Plus				
3,608	4,957	-1,349	-27.2%	Non-DSP SIF admin A-in-A	22,880	25,586	-2,706	-10.6%
1,006,023	979,275	26,748	2.7%	Adjusted Vote 37 Expenditure on Schemes, Services & Administration	4,919,373	4,807,273	112,100	2.3%
				SOCIAL INSURANCE FUND expenditure				
16,915	16,890	25	0.1%	SIF Administration	102,966	102,450	516	0.5%
693,366	697,054	-3,688	-0.5%	SIF Schemes and Services	3,510,806	3,524,910	-14,104	-0.4%
710,281	713,944	-3,663	-0.5%	TOTAL SIF Expenditure	3,613,772	3,627,360	-13,588	-0.4%
				TOTAL DSP EXPENDITURE ON SCHEMES, SERVICES & ADMINISTRATION	8,533,145	8,434,633	98,512	1.2%
1,716,303	1,693,219	23,085	1.4%					

Note: The tables presented for Vote and Fund give the Department's interim figures for the purpose of reporting expenditure to the Department of Public Expenditure and Reform required within 5 working days of month end. The amounts presented are therefore provisional and may be subject to change as adjustments may be required to finalise income and expenditure output resulting from additional information being provided by the Department's Agents in subsequent days and weeks. A more definitive statement is produced monthly after all adjustments are made on or about the 8th working day of the following month. From past analytical reviews of the interim (5th working day) and final (8th working day of following month) the margin of variance has shown not to be material. All figures are provisional and are subject to audit by the Office of the Comptroller and Auditor General.

VOTE 37: DETAILED PROGRAMME EXPENDITURE BY SCHEMES AND SUBHEADS					INTERIM REPORT			
CURRENT MONTH					May 2012	YEAR TO DATE		
Expenditure	Estimate	Variance			Expenditure Breakdown	Expenditure	Estimate	Variance
€000	€000	€000	%			€000	€000	€000 %
					ADMINISTRATION			
23,009	23,788	-779	-3.3%	A1	Administration - Pay	126,155	128,153	-1,998 -1.6%
21,701	20,118	1,583	7.9%	A2	Administration - Non-Pay	73,329	76,088	-2,759 -3.6%
0	0	0	0.0%	A3	Administration - Community Welfare Service	0	0	0 0.0%
0	0	0	0.0%	A4	Administration - FAS	0	0	0 0.0%
44,709	43,906	803	1.8%		TOTAL - ADMINISTRATION	199,484	204,241	-4,757 -2.3%
					PENSIONS			
75,019	75,945	-926	-1.2%	A5	State Pension (Non-Contributory)	389,593	392,453	-2,860 -0.7%
75,019	75,945	-926	-1.2%		TOTAL PENSIONS	389,593	392,453	-2,860 -0.7%
					WORKING AGE INCOME SUPPORTS			
262,711	243,116	19,595	8.1%	A6	Jobseeker's Allowance	1,262,698	1,175,251	87,447 7.4%
101,717	99,905	1,812	1.8%	A7	One Parent Family Payment	455,140	446,450	8,690 1.9%
1,379	1,379	0	0.0%	A8	Widows' Widowers' / Surviving Civil Partners Pension (Non-Contributory)	7,163	7,167	-4 -0.1%
334	341	-7	-2.1%	A9	Deserted Wife's Allowance	1,546	1,559	-13 -0.8%
13,217	14,138	-921	-6.5%	A10	Basic Supplementary Welfare Allowance Payments	67,416	66,290	1,126 1.7%
9,916	10,333	-417	-4.0%	A11	Farm Assist	46,194	46,906	-712 -1.5%
4,234	4,463	-229	-5.1%	A12	Pre-Retirement Allowance	20,574	21,137	-563 -2.7%
5,835	5,426	409	7.5%	A13	Other Working Age Supports	28,910	27,130	1,780 6.6%
399,342	379,101	20,241	5.3%		TOTAL WORKING AGE - INCOME SUPPORTS	1,889,640	1,791,890	97,750 5.5%
					WORKING AGE - EMPLOYMENT SUPPORTS			
25,554	24,596	958	3.9%	A14	Community Employment Programme	140,452	129,693	10,759 8.3%
7,291	3,489	3,802	109.0%	A15	Rural Social Scheme	22,541	19,317	3,224 16.7%
7,736	7,362	374	5.1%	A16	TUS - Community Work Placement	26,445	28,534	-2,089 -7.3%
1,541	1,945	-404	-20.8%	A17	Job Initiative	10,640	11,287	-647 -5.7%
3,687	2,728	959	35.2%	A18	Community Services Programme	26,005	23,380	2,625 11.2%
10,658	11,116	-458	-4.1%	A19	Back to Work Allowance	51,972	53,092	-1,120 -2.1%
5,381	6,259	-878	-14.0%	A20	National Internship Scheme - Jobbridge	20,181	27,735	-7,554 -27.2%
20,950	20,153	797	4.0%	A21	Back to Education Allowance	107,605	98,847	8,758 8.9%
4,636	5,218	-582	-11.2%	A22	Other Employment supports	22,180	25,534	-3,354 -13.1%
87,434	82,866	4,568	5.5%		TOTAL WORKING AGE - EMPLOYMENT SUPPORTS	428,019	417,419	10,600 2.5%
					ILLNESS, DISABILITY AND CARERS			
103,771	101,864	1,907	1.9%	A23	Disability Allowance	460,031	454,336	5,695 1.3%
1,201	1,224	-23	-1.9%	A24	Blind Pension	6,275	6,300	-25 -0.4%
46,587	47,610	-1,023	-2.1%	A25	Carer's Allowance	211,939	215,656	-3,717 -1.7%
8,491	8,629	-138	-1.6%	A26	Domiciliary Care Allowance	41,826	42,791	-965 -2.3%
371	130	241	185.1%	A27	Respite Care Grant	2,317	1,180	1,137 96.4%
160,421	159,457	964	0.6%		TOTAL - ILLNESS, DISABILITY AND CARERS	722,388	720,263	2,125 0.3%
					CHILDREN			
170,333	172,850	-2,517	-1.5%	A28	Child Benefit	848,828	859,570	-10,742 -1.2%
20,553	19,115	1,438	7.5%	A29	Family Income Supplement	93,315	84,316	8,999 10.7%
14	0	14	0.0%	A30	Back to School Clothing and Footwear Allowance	230	0	230 0.0%
760	72	688	955.8%	A31	School Meals	11,728	17,320	-5,593 -32.3%
396	394	2	0.5%	A32	Other Child Related Payments	2,124	2,055	69 3.3%
192,056	192,431	-375	-0.2%		TOTAL - CHILDREN	956,224	963,261	-7,037 -0.7%
					SUPPLEMENTARY PAYMENTS, AGENCIES AND MISCELLANEOUS SERVICES			
37,385	37,955	-570	-1.5%	A33	Rent Supplement	187,015	182,486	4,529 2.5%
5,123	4,330	793	18.3%	A34	Mortgage Interest Supplement	25,358	22,312	3,046 13.7%
12,159	10,257	1,902	18.5%	A35	Household Benefits Package	61,861	51,215	10,646 20.8%
5,845	6,417	-572	-8.9%	A36	Free Travel	31,563	32,085	-522 -1.6%
88	0	88	0.0%	A37	Fuel Allowance	77,153	77,629	-476 -0.6%
750	1,257	-507	-40.3%	A38	Grant to the Citizens Information Board	23,850	24,939	-1,089 -4.4%
80	82	-2	-2.0%	A39	Office of the Pensions Ombudsman	363	375	-12 -3.2%
412	71	341	480.4%	A40	Miscellaneous Services	861	705	156 22.1%
61,842	60,369	1,474	2.4%		TOTAL - SUPPLEMENTARY PAYMENTS, AGENCIES AND MISCELLANEOUS SERVICES	408,024	391,746	16,278 4.2%
976,113	950,169	25,945	2.7%		VOTE 37: EXPENDITURE ON SCHEMES AND SERVICES	4,793,889	4,677,032	116,857 2.5%
164,441	143,402	21,039	14.7%	A41	Exchequer Subvention to the Social Insurance Fund	924,474	750,546	173,928 23.2%
1,185,264	1,137,477	47,787	4.2%		Vote 37: Gross Programme Expenditure	5,917,846	5,631,819	286,028 5.1%

SOCIAL INSURANCE FUND - INCOME & EXPENDITURE								INTERIM REPORT
CURRENT MONTH					May 2012	YEAR TO DATE		
Expenditure	Estimate	Variance			INCOME & EXPENDITURE BREAKDOWN	Expenditure	Estimate	Variance
€000	€000	€000	%			€000	€000	€000 %
					SOCIAL INSURANCE FUND INCOME			
545,830	570,507	-24,677	-4.3%		Income from Contributions	2,688,854	2,876,779	-187,925 -6.5%
0	0	0	0.0%		Income from Investments	290	0	290 0.0%
10	10	0	-4.8%		Income from Rent	10	10	0 -4.8%
0	25	-25	-100.0%		Receipts under reciprocal arrangements	145	25	120 480.7%
545,839	570,542	-24,703	-4.3%		TOTAL: INCOME	2,689,298	2,876,814	-187,516 -6.5%
					Social Insurance Fund Expenditure			
					ADMINISTRATION			
16,915	16,890	25	0.1%		Administration: Non-Pay	102,966	102,450	516 0.5%
16,915	16,890	25	0.1%	SE1	TOTAL: SIF ADMINISTRATION	102,966	102,450	516 0.5%
					Expenditure on SIF schemes and services			
					PENSIONS			
292,963	290,978	1,985	0.7%	SE2	State Pension (Contributory)	1,510,429	1,501,276	9,153 0.6%
13,415	14,158	-743	-5.2%	SE3	State Pension (Transition)	61,132	61,838	-706 -1.1%
104,590	105,358	-768	-0.7%	SE4	Widows', Widowers' / Surviving Civil Partners' Pension (Contributory)	541,257	544,052	-2,795 -0.5%
608	582	26	4.5%	SE5	Widows', Widowers' / Surviving Civil Partners' Pension (Death Benefit)	3,117	3,014	103 3.4%
1,604	1,630	-26	-1.6%	SE6	Bereavement Grant	8,915	7,650	1,265 16.5%
413,180	412,706	474	0.1%		TOTAL: PENSIONS	2,124,849	2,117,830	7,019 0.3%
					WORKING AGE - INCOME SUPPORTS			
65,229	66,884	-1,655	-2.5%	SE7	Jobseeker's Benefit	334,063	327,542	6,521 2.0%
7,839	7,657	182	2.4%	SE8	Deserted Wife's Benefit	35,450	35,056	394 1.1%
22,718	24,006	-1,288	-5.4%	SE9	Maternity Benefit	122,304	125,975	-3,671 -2.9%
50	95	-45	-47.5%	SE10	Adoptive Benefit	278	498	-220 -44.1%
42	65	-23	-35.8%	SE11	Health and Safety Benefit	224	290	-66 -22.7%
25,597	22,270	3,327	14.9%	SE12	Redundancy and Insolvency Payments	111,977	111,350	627 0.6%
1,238	1,555	-317	-20.4%	SE13	Treatment Benefits	8,045	7,775	270 3.5%
122,712	122,532	180	0.1%		TOTAL: WORKING AGE - INCOME SUPPORTS	612,341	608,486	3,855 0.6%
					WORKING AGE - EMPLOYMENT SUPPORTS			
58	960	-902	-93.9%	SE13	Partial Capacity Benefit	68	2,787	-2,719 -97.6%
58	960	-902	-93.9%		TOTAL: WORKING AGE - EMPLOYMENT SUPPORTS	68	2,787	-2,719 -97.6%
					ILLNESS, DISABILITY AND CARERS			
70,948	73,252	-2,304	-3.1%	SE14	Illness Benefit	334,287	359,700	-25,413 -7.1%
1,823	1,336	487	36.5%	SE15	Injury Benefit	6,878	6,124	754 12.3%
55,297	58,341	-3,044	-5.2%	SE16	Invalidity Pension	251,470	258,044	-6,574 -2.5%
5,961	7,098	-1,137	-16.0%	SE17	Disablement Benefit	30,673	31,234	-561 -1.8%
43	25	18	70.1%	SE18	Medical Care	162	125	37 29.7%
2,202	2,247	-45	-2.0%	SE19	Carer's Benefit	9,882	10,097	-215 -2.1%
136,274	142,299	-6,025	-4.2%		TOTAL: ILLNESS, DISABILITY AND CARERS	633,351	665,324	-31,973 -4.8%
					CHILDREN			
1,311	1,311	0	0.0%	SE20	SIF Funded Child Related Payments	7,068	7,072	-4 -0.1%
1,311	1,311	0	0.0%		TOTAL: CHILDREN	7,068	7,072	-4 -0.1%
					SUPPLEMENTARY PAYMENTS, AGENCIES AND MISCELLANEOUS SERVICES			
19,725	17,246	2,479	14.4%	SE21	Household Benefit Package	97,293	86,096	11,197 13.0%
105	0	105	0.0%	SE22	Fuel Allowance	35,835	37,315	-1,480 -4.0%
19,830	17,246	2,584	15.0%		TOTAL: SUPPLEMENTARY PAYMENTS, AGENCIES AND MISCELLANEOUS SERVICES	133,128	123,411	9,717 7.9%
693,366	697,054	-3,688	-0.5%		Total Expenditure on SIF Schemes & Services	3,510,806	3,524,910	-14,104 -0.4%
710,281	713,944	-3,663	-0.5%		Total Social Insurance Fund Expenditure	3,613,772	3,627,360	-13,588 -0.4%
164,441	143,402	21,039	14.7%		Excess of Expenditure over Income	924,474	750,546	173,928 23.2%
164,441	143,402	21,039	14.7%		Exchequer Subvention Required From Vote 37	924,474	750,546	173,928 23.2%