



Oifig an Ard-Rúnai
An Roinn Coimirce Sóisialai
Áras Mhic Dhiarmada
Sráid Stórais
Baile Átha Cliath 1

Office of the Secretary-General
Department of Social Protection
Áras Mhic Dhiarmada
Store Street
Dublin 1

☎ (01) 7043000

Facs / Fax (01) 7043721

28 March 2013

Ms Niamh Maguire
Committee Secretariat
Committee of Public Accounts
Leinster house
Dublin 2



Dear Ms Maguire,

I refer to your letter of 20th March requesting further information raised during the Committee's recent examination of Chapters of the 2011 Annual Report and Appropriation Accounts of the Comptroller and Auditor General relating to Vote 38: Social Protection and the Social Insurance Fund.

The following responses are provided.

1. A note on the number of new applications for mortgage interest supplement payments since July 2012 to date and the number granted.

Of the 13,755 claims currently in payment, approximately 540 new applicants have been awarded mortgage interest supplement since the curtailment on access to mortgage interest supplement was introduced from 18th June 2012.

The Department does not have records on the number of applications received which were not put into payment. The tabular statement below sets out the number of mortgage interest supplement claims in payment since 2011:

Mortgage Interest Supplement

Claims in payment at End 2011	18,988
Claims in payment at End 2012	14,597
Claims in payment at End February 2013	13,755

2. A note on the eight cases of possible misappropriation of public moneys by employees as referred to in section '6.6 Possible Misappropriation' of the Appropriation Account for Vote 38 Social Protection.

Quarterly reports are provided to the C&AG on all new allegations of internal fraud within the Department. Where, following the conclusion of an investigation, there is evidence to suggest that internal fraud has occurred; the case is referred to the Personnel Officer for consideration under the Civil Service Disciplinary Code. The Disciplinary Code includes a number of steps to ensure that due process and natural justice is applied.

Cases reported to the C&AG in 2011 (8)

Nos. 1 & 2 – investigations in these cases were completed with an inconclusive outcome as the perpetrator could not be identified. Both cases involved possible misappropriation of client cash refunds to Social Welfare Local Offices in respect of customer overpayments.

An amount of €261 was identified in one case and the misappropriated amount could not be confirmed in the second case. As no perpetrator could be identified, there is no recovery of the monies loss.

In order to address issues identified during the course of internal control inspections and investigations, changes to finance procedures in Local/Branch Offices were introduced in October 2012. These changes included enhanced controls to safeguard the cash refund procedure and to provide greater protection against possible misappropriation.

No. 3 - The staff member concerned in this case resigned from the Civil Service prior to dismissal. The staff member was found to have diverted her relative's jobseeker's payment to her own bank account without his knowledge for a period when he was not entitled to such payment. She was also found to have issued payment in respect of a second relative's jobseeker's claim for a period when he did not have an entitlement to such payment.

In view of the total amount of money involved (€2,093) and the particular exceptional circumstances of the case, the matter was not reported to the Gardaí.

Arrangements to recoup the monies involved from the former staff member have been commenced. It should be noted that any outstanding amount not refunded – plus interest – will be recouped by deduction from the occupational pension which would be payable to the staff member upon reaching retirement age. Interest is charged at a compound interest rate of 4% per annum in respect of the period between the date the loss was incurred and the date of recoupment.

No. 4 – Following completion of the investigation, this case was forwarded to the Personnel Officer and is currently being progressed through the Civil Service Disciplinary Code.

The case involves the theft of client cash refunds from a Local Office in the amount of €400. Due to health and safety concerns for the staff member the matter was initially brought to the

attention of the local Gardaí. Having been apprised of the alleged offence, including the amount involved, the Gardaí advised that any investigation should be conducted by the Department.

No. 5 – Following completion of the investigation this case was forwarded to the Personnel Officer for progression through the Civil Service Disciplinary Code.

The case involves inappropriate payments made by a staff member in respect of three customers where there was no evidence that they fulfilled the eligibility requirements.

The loss to the Department is calculated at €14,000 - €15,000.

The Department was notified on 27 March 2013 of the conclusion of the Civil Service Disciplinary Code Appeals Board that the proposed sanction of dismissal in this case is appropriate on the basis that allegations of serious breaches of procedures and a breakdown of trust have been substantiated. However the Board considered that allegations of misappropriation by the staff member have not been substantiated. Arrangements are underway to terminate the employment of the staff member involved.

This case has not been referred to the Gardaí as yet.

No. 6 – The officer concerned in this case was dismissed from the civil service following completion of the Disciplinary Code Process which included a right of appeal to an external Disciplinary Code Appeals Board.

This case involved the misappropriation of customer cash refunds by a staff member who had processed inappropriate payments and then requested refunds. The loss to the Department was quantified at €35,229.70 with an admission by the staff member of a personal gain totalling €25,970.

This case was reported to the Gardaí.

Arrangements to recoup the monies involved from the former staff member have been commenced. It should be noted that any outstanding amount not refunded – plus interest – will be recouped by deduction from the benefits payable upon reaching retirement age. Interest is charged at a compound interest rate of 4% per annum in respect of the period between the date the loss was incurred and the date of recoupment.

With regard to the balance of the loss (€9,259.70) a schedule of client overpayments has been referred to local management for recovery.

No. 7 – This case occurred prior to the transfer of the former Community Welfare Service to DSP. The suspected fraud was referred to HSE Internal Audit and was notified to the Department and onwards by the Department to the C&AG on the assumption that the staff member involved was transferring to DSP. As the staff member did not in fact transfer to the DSP the case is not the responsibility of the Department.

No. 8 – This case involved the theft of cash and documents from a safe at a Community Welfare Services office. The outcome of the internal investigation was inconclusive.

The matter was reported to the Gardai.

The loss was calculated at €1,106.30 and as no perpetrator could be identified there is no recovery of the loss.

3. *A copy of the agreed list of social welfare schemes that can facilitate the payment of property tax to the Revenue Commissioners.*

The DSP schemes for which it has been agreed to operate a deduction at source facility in relation to local property tax are as follows:

- State Pension (Contributory)
- State Pension (Non-contributory)
- Widow/er's or Surviving Civil Partner's (Contributory) Pension
- Widow/er's or Surviving Civil Partner's (Non-contributory) Pension
- State Pension (Transition)
- Blind Pension
- Invalidity Pension
- One-Parent Family Payment
- Carer's Allowance
- Disability Allowance

In relation to these schemes, the LPT deduction applies to the personal rate of payment only. DSP will not make deductions of LPT that will bring a personal rate payment below the Supplementary Welfare Allowance personal rate - currently set at €186 per week.

4. *A breakdown of the most recent figures for the number who were called for interview with social welfare officials and figures for the number who did not attend the initial interview and the number who did not attend after receiving a warning. The number of the people subsequently penalised for non-attendance to be included.*

My officials are presently compiling up-to-date material in relation to Question 4. This will be forwarded to the Committee Secretariat as soon as possible after Easter.

5. A note on the impact of the power of enquiry into landlords, by social welfare inspectors and designated persons, where a rent supplement is being paid to the landlord, in regards to the reduction of fraud.

Section 14 of the Social Welfare and Pension Act 2012 provides investigative powers for officers in the Community Welfare Service and Social Welfare Inspectors to formally request and oblige landlords/agents to provide information as required and within prescribed timeframes in respect of recipients of Rent Supplement. Landlords/agents who fail to comply with such requests within 21 days shall be guilty of an offence under the Social Welfare Consolidation Act 2005.

The measure is designed to ensure an enhanced level of enforcement and control of the Rent Supplement scheme. It also aims to achieve an integrated approach to the prevention, deterrence and detection of Social Welfare fraud where it arises within the Rent Supplement scheme. It complements existing compliance arrangements that the Department has put in place with the Revenue Commissioners to ensure that all landlords are registered for tax purposes.

The Department can confirm that the powers are being used by officers, including those in the Special Investigations Unit, in the context of investigations which include Rent Supplement. However, there are no specific statistics available on the usage of these powers.

Inspections of Landlords Premises

Responsibility for setting and enforcing housing standards rests with the Housing Authorities.

Section 25(1)(b) of the Social Welfare & Pensions Act 2007 was introduced by the Department to provide that rent supplement can be terminated where the Department is notified by a housing authority regarding the non-compliance with standards. This legislation is aimed at improving the standards of accommodation which rent supplement tenants occupy and supports the Local Authority in meeting their responsibilities in relation to housing standards.

Where the Department has been notified by a local authority that standards are not being complied with, it can decide to refuse an application for rent supplement. If such a notification from a housing authority relates to an existing tenant, the situation is discussed with the tenant and the Department will act in the best interests of the tenant. Similarly, where it comes to the attention of Departmental staff that accommodation appears to be below the required standard, the concerns are notified to the relevant local authority for follow up.

Home visits are undertaken by officers in the Community Welfare Service of the Department where there is a valid reason for doing so. Information is not available in relation to the number of home visits undertaken.

6. *A note on the amount paid to CIE in 2006, for funding of the Free Travel Scheme, as part of the negotiation that saw the removal of the off-peak travel restriction.*

Peak travel time restrictions for all CIE bus services, i.e. Bus Éireann and Dublin Bus, were removed from September 2006 at an additional annual cost to the Department of Social Protection of €1.15 million.

7. *A note on the payment, requested by CIE, for the funding of the Free Travel Scheme in light of the upcoming launch of the Public Services Card.*

8. *Details of the most recent audit of funding to CIE, undertaken by the Department of Social Protection, to be included.*

9. *A note on the loss to Irish public transport companies resulting from fraudulent activity within the Free Travel Scheme.*

Response to 7, 8 & 9

While an overall survey of free travel customer numbers has not been undertaken since 1973, the Department had, many years ago, moved away from this approach in favour of negotiating rates and discounts with CIE at various stages to reflect the development of the transportation infrastructure and the introduction of new services e.g. DART, LUAS and removal of the restrictions on free travel during peak hours.

Under the National Recovery Plan 2011 – 2014 funding for the free travel scheme is frozen at 2010 levels of expenditure i.e. €77 million per annum for the duration of the plan.

The roll out of the Free Travel variant of the public service card, which will be commenced later this year, will allow data on usage with CIE to be collected.

Introduction of new services and inclusion of peak time travel

Over the course of the years there have been several major improvements in the range and type of services made available as part of the free travel scheme. Detailed negotiations took place at each of these junctures and arrangements differ accordingly.

The main developments are set out below:

- The DART was introduced in 1984 and incurred no additional increase in payment for the Department.

- The development of additional services on Expressway and Intercity Rail as well as the expansion of services arising from the Transport 21 initiative incurred no additional increase in payment for the Department.
- Luas joined the Free Travel scheme in May 2004. At this time the additional cost to the Department was estimated at €1.2 million in 2004 and €3.1 million annually. This additional cost to the Department was offset by a reduction in the payment to be made to the CIE group because of the displacement of free travel pass holders to Luas services who would otherwise have travelled on Dublin Bus services. The Department reduced the payments to the CIE group in 2004 by €0.54 million (€1.4 million in a full year) resulting in an estimated net cost to the Department of €0.66 million in 2004 and €1.7 million annually.
- Peak travel time restrictions for all CIE bus services, i.e. Bus Éireann and Dublin Bus, were removed from September 2006 at an additional annual cost to the Department of Social Protection of €1.15 million.

The rate of payment prior to the introduction of the cap on expenditure in 2010 was reviewed regularly and adjusted on the basis of changes in rates of fares. As a result of the cap, the fare increases announced by the National Transport Authority from January, 2012 have not been implemented.

Separately it should be noted that while the numbers of customers eligible for free travel increased significantly, there was no adjustment to the base payment to CIE. The CIE estimate of free pass passenger journeys for 2011 is as follows:-

	Millions
Dublin Bus	22.8
Bus Éireann	9.9
Iarnród Éireann	4.2
Total	36.9

Value for money

The Department acknowledges that the value of the scheme to the individual can vary greatly depending on their usage and personal circumstances with factors such as mobility and availability of transport services being major influences. However, research in 1998 indicated that some 79% of people do use their free travel pass, with the major beneficiaries being those 42% of people living in urban areas who avail of city bus services on a regular basis.

The data below indicate that there are major benefits for those in receipt of the free travel scheme.

On the basis of the total number of passes issued and the overall payment to CIE of €61.4 million, it is possible to derive the cost per free travel pass. The cost of providing a free travel pass under the scheme per individual (which allows access to most land based travel services) is approximately €70 per person per year i.e. €1.1 million customers at a total annual cost of €77 million.

On the basis of the passenger journey data above, the average cost per journey amounts to €1.66. This reinforces the value to the customer when one considers that the lowest fare on Dublin Bus is €1.65 and with the Leap Card rate is €1.40, while a ticket to Sligo returning the following day is €49 and Dublin- Belfast return is €25 - all of which indicates value for this Department's expenditure.

Overall Scheme Data

	Recipients	Cost	Cost per Pass
Year	000s	€000s	€
1988	416	33,000	79
1998	533	41,000	77
2006	962	58,000	60
2012	1,100	77,000	70

Fraud

The Department actively engages with all operators in the prevention of fraud and provides all necessary assistance including access to dedicated phone lines for inspectors validating passes. For example, in the past six months the Department has been involved in a highly successful operation with Veolia Transdev (LUAS) involving almost weekly inspection and validation of passes. This Department has been working with the other operators with a view to encouraging them to put similarly focussed operations in place.

The Department puts a stop on free travel passes in a wide range of circumstances including those directly confiscated, reported lost, damaged or stolen. In 2010, 16,261 passes were stopped and in 2011, 17,229 passes were stopped for the variety of circumstances outlined.

This Department is not in a position to assess the loss to companies as a result of fraudulent use of passes on their systems and the companies involved are best positioned to provide their own assessments in this regard. Persons found to be fraudulently using free travel passes are

dealt with by the public transport companies under their relevant bye-laws. Private operators deal with each case as they see fit as all these entities have the actual direct evidence of the breach committed.

The Department's new public services card and the issue of the free travel variant will potentially play an important role in reducing the impact of fraud on the system and it is important to note that it will also provide detailed statistics in relation to the number of passengers travelling and the frequency of that travel which have not been available in an accessible way up until now.

Review of the Free Travel Scheme

Given the challenging budgetary context it is timely to review the current operation of the free travel scheme and an interdepartmental committee commenced a review of the scheme last year. This committee is made up of representatives of this Department, the Departments of Transport, Tourism and Sport, Public Expenditure and Reform, and the National Transport Authority. It is expected to conclude its work by the end of the third quarter of 2013. The report will feed into future policy development and the forthcoming budgetary process.

10. A note on the allocation of a contract to Rehab for the purpose of providing a call centre

In 2002 the Department established a LoCall Leaflet line (1890 20 23 25) whereby members of the public could request information leaflets and application forms on any social welfare scheme or service on a 24/7 basis.

The service was operated in house until mid - 2006, when it was outsourced to Rehab. The service was extended in 2009 to encompass requests for leaflets and application forms received by SMS text (51909), by email and via Department's website.

The Service was operating out of Kilkenny until Autumn 2012 when it transferred to Portlaoise as part of Rehab's consolidation of its service locations nationwide. The transfer of location was effected smoothly and without any interruption to the service provided.

Services Agreement

A Services Agreement was put in place in 2006 between the Department and Rehab, the factors which informed this decision to put in place a Services Agreement between the Department and Rehab without a public tendering process included:

- EU Directive 18 / 2004 which makes provision for reserving competition for such services to those in sheltered workshops or in sheltered employment programmes,
- A number of other providers working in the area of disability were either not interested or not capable of delivering the service required,

- Two private sector organisations that had expressed an interest in providing the service quoted estimated costs of more than twice that quoted by Rehab Care.

Current Position

Since 2009, a Services Agreement which encompasses the broader remit of the service, now including leaflet requests received by SMS text and by email, is in place. Rehab Enterprises have continued to deliver the service through the employment of people with disabilities. The service is reviewed and costs agreed annually. There have been no significant cost increases year on year.

Rehab Enterprises continue to employ persons with disabilities in the provision of the Department's services and it is considered that this is a valuable mechanism for persons with disabilities to become integrated in a workplace environment, enabling them to acquire skills which equip them to progress to more mainstream employment in some instances.

During 2012, the service handled over 43,000 requests for leaflets / information booklets. The cost of the Service has remained within budget each year. The budget for 2013 is €109,000. The Service Agreement will be further reviewed during 2013 in the context of the EU Directive 18 / 2004.

Yours sincerely,



Niamh O'Donoghue
Secretary General

Appendix 1 Statement by Accounting Officer on Internal Financial Control

Responsibility for system of Internal Financial Control

As Accounting Officer I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department. This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows:

Financial Control Environment

I confirm that a control environment containing the following elements is in place:

- Financial responsibilities have been assigned at management level with corresponding accountability
- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- Formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- There is an audit committee to advise me in discharging my responsibilities for the internal financial control system.

Administrative Controls and Management Reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that

- There is an appropriate budgeting system with an annual budget which is kept under review by senior management
- There are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts
- A risk management system operates within the Department
- There are systems aimed at ensuring the security of the ICT systems
- There are appropriate capital investment control guidelines and formal project management disciplines.
- The Department is compliant with all relevant guidelines regarding procurement and is complying with all circulars relating to the mandatory use of framework agreements and contracts.

Internal Audit

I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

Niamh O'Donoghue
Accounting Officer - Department of Social Protection
27 March, 2013