INTRODUCTION BY MR JOHN MCKEON, SECRETARY GENERAL DEPARTMENT OF EMPLOYMENT
AFFAIRS AND SOCIAL PROTECTION, TO THE COMMITTEE OF PUBLIC ACCOUNTS

Thursday 7 November 2019

Chairperson, Committee Members,

I would like to thank the Committee for inviting me here today to discuss the Appropriation Account for Vote 37, Chapters 12, 13, and 14 of the report of the Comptroller and Auditor General and the Account for the Social Insurance Fund, all for the year ending 2018.

I am joined today by Ms Jacqui McCrum, Deputy Secretary of the Department together with Ms Kathleen Stack Assistant Secretary General with responsibility for Control Policy, Ms Deirdre Shanley Assistant Secretary General with responsibility for Finance during the period under review, Ciaran Lawler who is this week assuming responsibility for Finance, and Mr Tim Duggan Assistant Secretary General with responsibility for Pensions, Employment Affairs and PRSI Policy. I am also joined by Mr Jim McDonnell the Department’s Chief Accountant. I may, with the Chair’s permission, rely on assistance from my colleagues in addressing some of the questions that members may raise.

I arranged for an advance copy of this statement together with briefing material on each of the chapters under review, the annual report of the Department and the annual statistics report and other relevant information to be provided to the Committee secretariat last week. I hope that members found this material to be of use.

In previous opening statements at this Committee, I spoke about the role of social welfare in compensating for and mitigating the impact of failures in the market economy and about how our staff are acutely aware, through their everyday work, of the impact of welfare and employment services on the lives of individual citizens and families. In saying this it is important I feel to emphasise that the term social welfare or social protection, insofar as it is colloquially and properly used to describe the work of the Department covers a far broader remit than is traditionally associated with the term. – For some people the term social welfare creates images of dole office queues and connotations of handouts. This was never a fair reflection of the role of the Department, the nature of its work or the disposition of the people it serves and it is certainly not the case now. – The Department is, as you will be aware, responsible for the provision of policy advice and the delivery of services across a broad, and expanding remit. As well as the traditional range of cradle to grave welfare services – which are themselves expanding - the remit now covers employment affairs and
employment services, as well as general registry services (including for example issues in relation to gender recognition), citizens information and advice (provided by CIB and MABS), and pensions supervision and regulation (under the auspices of the Pensions Authority).

The Department is heavily involved in both the evaluation and development of policy and the design, development and delivery of services giving it a breadth and depth of responsibility that is, I believe, unique, in an Irish civil service context. In monetary terms the expenditure of the Department equates to c 37% of Government current expenditure; in staff terms the Department employs c 20% of all staff in the civil service. More notably, the impact of the Department’s work is felt by every person, family and business in the State. If a single statistic can encapsulate its impact it is that the schemes and services delivered by the Department reduce the risk of poverty by some 50% compared to that which would otherwise pertain.

In delivering on this brief the staff of the Department strive to always deliver an effective and efficient service and, in doing this, they are very mindful of the vulnerability of the people who rely on our services. However, it is inevitable given our breadth and scale that failures will occur and it is equally inevitable that when these failures do occur that you and I will hear about them much more frequently and much more vociferously than we hear about the normal, routine, high level of service in, for example, processing over 2m claims and making over 80m payments across 86 different schemes and services every year. I hope you will forgive me, therefore, if I take this opportunity to acknowledge the work of our staff by drawing attention to the evidence that they consistently deliver a high level of service. – Evidence in the customer satisfaction research showing an 85% satisfaction level, in the low level of appeals of less than 1%, in the accreditation for service quality excellence by the International Social Security Association, and in the award of QQI certification up to NFQ level 8 for staff development and training programmes to name just some of the external recognitions received during the year. This is not to diminish the cases where we have failed or could do better; we also have to recognise and learn from these cases. That is why the work of the Comptroller and Auditor General not only in reviewing our accounts but in examining, every year, specific aspects of our operations is welcomed, as is the scrutiny of this Committee in holding us to account in respect of findings by the Comptroller.

Turning now to the Comptroller’s report for 2018, I do not, in the interest of time, intend to comment on all of the accounts/chapters but I do wish to make some remarks in respect of issues that I believe may be of interest to the Committee or which have already been signalled as of interest. These relate to the status of the Social Insurance Fund (SIF), Brexit, Service Performance Statistics and the Public Service Card.
The Social Insurance Fund

The Committee will note, from the 2018 accounts that the SIF appears to be in robust financial health. Expenditure during the year of €10Bn was some €1.1Bn less than receipts yielding an accumulated surplus at the year-end of €2.3bn. I can confirm that this trend has continued and we anticipate that this surplus will be in the order of €3.9Bn by year end 2019. It is, I believe, important to note that this positive trend will not continue and should not be allowed to engender complacency with regard to the challenges that lie ahead. – Past experience indicates that cyclical forces can wipe out this surplus very quickly – in 2008 a surplus of €3.4Bn was wiped out in 15 months and over the next 6 years the SIF was dependent on Exchequer transfers totalling €7.4Bn in order to meet its obligations to contributors. That was in the context of favourable demographic conditions. Looking to the future demographic trends will significantly increase expenditure of the SIF as the number of older people in our society increases. This is clear from our 2020 estimates which show an existing level of service increase in expenditure of about €520m of which over €330m is due to pension pressures. This trend will continue with the result that it is inevitable that even with positive economic conditions the fund will enter into and remain in deficit. The most recent actuarial review forecasts an annual spend of about €15Bn and an annual deficit of about €3bn p.a. by 2030. This sets a challenging context for the development of medium to long term policy – a context in which the social contract may come under pressure and in which the continuing, if not stronger, support and solidarity of contributors will be essential to the maintenance of the existing level and range of services.

Brexit

Turning now to Brexit and its impact on the Department and the people it serves. The Department has two main concerns in relation to Brexit. First to protect access to benefits and entitlements for people and, second, to ensure that we can respond quickly and appropriately to any job losses attendant on an economic shock.

Existing EU sponsored arrangements provide for access to and portability of benefits in order to protect the interests of its citizens moving between member states. Against this background many people were concerned that once the UK exited the EU these arrangements would cease to exist. The Department has for a long time had a very strong cooperative relationship both with the Department of Work and Pensions in the UK and the Department for Communities in Northern Ireland. I can confirm therefore that, building on these relationships and within the framework of the Common Travel Area, the Department agreed and signed an International Convention with the UK which fully protects the interests of citizens from both jurisdictions regardless of the nature of any Brexit. People will have access to the same benefits on the same terms under this agreement as they do at present – this includes free travel on the island of Ireland.
With regard to employment impacts the Department conducted its own assessment of the likely impact by region and sector of any downturn in the labour market. Based on this assessment we worked, and are continuing to work very closely with our colleagues in the Enterprise and Education sectors to ensure that our shared processes to respond to job losses and provide employment and training supports are robust enough and flexible enough to support affected workers. We are confident based on this work that the organisation and processes innovations made following the 2008 – 2012 crisis will stand us in good stead in delivering an effective and seamless service to people who may be affected by job losses post-Brexit. We are also confident in our ability to quickly process any large influx of claims and avoid any repeat of long queues outside our offices. The development of our online service capability and the introduction of a ‘front-office, back-office’ model of working will be particularly beneficial in that regard.

Performance Monitoring

Chapter 13 of the C & AG Report relates to performance monitoring within the Department. The C & AG notes that with some exceptions service performance on most schemes is within target levels and is improving. Last year Committee members expressed particular concern regarding the time to decide Carers Allowance claims. The Department acknowledged these issues and advised that it was taking measures to remedy the situation. Although the data in the C and AG report offers no comfort in this regard I can advise that the Department has, during 2019, undertaken a review and redesign of the Carer’s claims process and has allocated additional staff to this function. We have also increased the complement of medical assessors. Although there is much work still to be done these steps are now yielding results. I can advise, for example, that the average processing time for carers claims in October was just under 10 weeks; this compares with an average of 17 weeks in 2018 and is the lowest level in 10 years. I understand that 10 weeks may still seem a long period to decide a claim however the complexity of the scheme, which is dependent on multiple conditionalities across two beneficiaries - the carer and the person in receipt of care - is such that these types of claim will always take longer to decide. Nevertheless we will continue our efforts to further improve the service.

SAFE/PSC

I am aware that the Committee members are concerned to understand both the legal status of the Public Service Card (PSC)/SAFE process and the value for money, or otherwise of the process.

With regard to the legal status, this is, as you are aware, a matter on which there is a difference of opinion between the Department and the Data Protection Commission. In saying this it is important to note that there is no difference of opinion between us on the core issue of whether the Department has the function and right to require people to authenticate their identity and to produce a PSC when accessing its own services. – This is a
key finding which contradicts and puts to bed the main criticism made of the PSC by some observers.

Other aspects are the subject of disagreement between the Department and the DPC and we are, as we understand the DPC is, anxious that these matters be clarified and resolved as soon as possible in accordance with the process set down by the Oireachtas. We therefore await receipt of an Enforcement Notice, and subject to what it might say, may seek the necessary clarity in the circuit court. We hope that this process can be completed expeditiously.

With regard to the issue of value for money the Committee is already aware from its review of this matter in 2016 that there is no single business case document. While as I have indicated in my letter of last week, this is regrettable it should not be taken as evidence that the project was not planned or executed properly. In fact as acknowledged in the C & AG’s report from 2016, 17 of the 19 key elements of a best practice business case were in fact in place.

I can also advise the Committee that having reviewed the costs and benefits associated with the project I am satisfied that SAFE/PSC has created the basis for improved service delivery, reduced administrative costs and has also enhanced control savings. In a letter sent to the committee last week I indicated that the total fully allocated costs of the project to date are €67.7m. However a large proportion of these costs would have been incurred even if the SAFE/PSC process was never introduced. This is because the Department always sought to authenticate the identity of people claiming its services and issued identity tokens in the form of pension books, social services cards and free travel passes. The SAFE process formalised this approach, established a consistent approach across all of our offices and introduced a higher more secure standard of identity token in the form of a PSC, incorporating a photograph of the person. If a conservative allowance is made, as it properly should be, for the counterfactual, or already existing costs, then the actual additional costs of the SAFE/PSC process, over the past nine years are, at most, approximately €37m.

Set against these costs are the benefits of the improved process. These include administrative efficiencies within the Department, reduced payment leakage due to error or fraud, the deterrence and prevention of fraud but most of all improved customer service as people accessing our services do not now have to verify their identity on each separate occasion on which they make a new claim or service request. In addition, secure authentication of identity provides the platform on which the Department is now rolling out online service access; this has already delivered some administrative efficiencies and will deliver even greater levels of savings as well as significantly simplifying service access for people into the future. As the PSC and MyGovId platforms are available for use by public service providers the savings and service benefits just instanced for the Department can also be realised by these other providers.
Ignoring the deterrence of fraud benefits (which are difficult to estimate) and also ignoring the customer service benefits and the benefits which are being realised in other public service organisations I conservatively estimate that the direct savings attributable to reduced payment leakage and administrative efficiencies within the Department already amount to over €20m. As the take-up of online service access increases, as inevitably it will, and as more people who are now SAFE registered return to make second and subsequent claims, the level of administrative savings and customer service benefits will increase still further. I am confident that these direct savings to the Department will, over the next few years, exceed project costs and that the overall project, taking account of the other benefits mentioned, but not included in the figures above, will deliver strong value for money. These figures are estimates only, therefore I intend, early in 2020, when full year costs for 2019 are finalised to commission a full cost benefit analysis of the project.

Just under €10m of the savings realised to date relates to detected fraud. Individual prosecutions on some case have amounted to over €400,000 and I have provided the Committee, under separate cover today, with some examples of cases for its information. In doing this I wish to return to the principal of solidarity mentioned in respect to the maintenance of the social contract.

As one eminent high court judge has noted, prosecutions such as those circulated, help to underpin the solidarity necessary to sustain continued public support for, and confidence in, the integrity of our social welfare system. In other words, it is important not just that we stand over the integrity of our control processes but that we are manifestly seen to apply high standards in the detection and prevention of fraud and to deploy, within the parameters available under law, the best technology available to that purpose. The benefit in authenticating identity is therefore not confined to administrative efficiencies or from the savings from the detection, and more importantly the deterrence, of welfare fraud but is just as much concerned with the fact that we can defend the system of social expenditure against the claims by some that the system itself is open to widespread and uncontrolled abuse. Claims which although untrue, would, if not rebutted, threaten the continued support of the public necessary to sustain the funding of the services we provide, funding which as I mentioned in my opening remarks will have to increase significantly in future years if the existing range and levels of service is to be maintained. Similar considerations apply to demonstrably using the best technology available to minimise administrative cost and error in order to reassure the public that scarce funds are not being consumed by bureaucracy rather than delivered to the intended beneficiaries.

These are intangible but hugely important considerations that should not, I believe, be lost in the discussion on the merits or otherwise of initiatives such as SAFE/PSC.

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In conclusion I would repeat something I said last year. We, and by we, I mean the managers and staff of the Department, work hard to deliver services to the communities from which we come and in which we live, conscious that it is our families, our friends and our neighbours who not only depend on these services, but who, through their social insurance contributions and taxes, pay for these services. We are proud of the work we do but we know we are not perfect and we don’t always get things right. That is why we welcome the oversight of the Comptroller and Auditor General and of this Committee. This process plays an important role in reminding us of our purpose, helping us to identify areas for improvement and helping us to learn from our mistakes. It is through such a process that we would hope to improve.

I and my colleagues will be pleased to take any questions that members may have.

ENDS