

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

Thursday 9, December 2021

Check Against Delivery

Chairperson, Committee Members,

I would like to thank the Committee for inviting me here today to discuss the Appropriation Account for Vote 37, Chapter 9 of the report of the Comptroller and Auditor for the year ending 2020 relating to the regularity of welfare payments, Chapter 10 relating to the management of Social Welfare Appeals and Chapter 11 relating to control over the Pandemic Unemployment Payment. I also understand that the Committee would like to review the accounts of the Social Insurance Fund and I will be pleased to respond to any questions that the Committee members may have on these accounts.

I am joined today by Ms Joan Gordon, Chief Appeals Officer, Mr Ciaran Lawler, Assistant Secretary General with responsibility for Finance, Ms Philomena McShane the Department's Chief Accountant and Mr John Conlon, Assistant Secretary General with responsibility for Control Policy. 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 the accounts and the chapters under review, the annual report of the Department, 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.

I would like to commence by breaking precedent.

Normally, Accounting Officers conclude their statements at this meeting by acknowledging the work of their staff. I hope that members will agree that, in the context of the 21 months just past, it is appropriate to place my appreciation, and my pride, in the Department's staff to the forefront of my comments.

You may think that this is due to the unprecedented response to Covid-19 crisis. And it is true that the measures taken to flatten the curve in the health domain resulted in an unprecedented peak in demand for income supports and other welfare services. Over the period, the Department has built not just one but two new IT systems to process approximately 1.8m claims for the pandemic unemployment payment (equivalent to approximately nine year's worth of jobseeker claims). The Department's staff processed

over 212,000 claims for the special Covid-19 illness payment, introduced a new enterprise support grant, implemented new flexible arrangements for rent supplements, rolled out online and telephone based services for the GRO, appeals, medical assessments and employment services, developed new IT functionality to provide attributed or full social insurance contributions to people who were laid-off during the Covid pandemic and implemented a new protocol for victims of domestic abuse. All of this was Covid related and I could go on. – The Department has now distributed or funded some €17.4 billion in expenditure on Covid related supports. And just as we thought we were making progress in transitioning back to normal operations, staff worked again over the weekend past to put a new PUP scheme in place and are already processing claims into payment for next week.

However, the past 21 months have not been all about Covid-19.

Having made substantial improvements in processing performance across most of our schemes and in the Appeals service over the previous year, we were determined to protect these improvements.

In fact, across most scheme areas, processing performance continued to improve as more online options were implemented and staff adapted to new processes and indeed, to working remotely, from the office. To take just one example, Carers Allowance claims - which took on average 14 weeks to process in 2019 - are now being processed in about 4 weeks.

In parallel, staff of the Department rolled out new services including the Benefit payment for 65-year olds and the Parent's Benefit payment. They developed new services and expanded others as part of the Pathways to Work Strategy, including a new Work Placement Experience Programme, established and supported the work of the Pensions Commission, enhanced our IT security and energy management capabilities, researched and published a number of key papers on the labour market effect of Covid-19 and developed and implemented new HR well-being services. Again, I could go on. Their efforts have been recognised in a number of independent awards for customer communications and for professionalism in procurement. In addition, in a world where cyber-security and energy management are key concerns, the Department has also, over the past year, been awarded ISO certification for Information Systems Security Management and for energy management conservation – among the very first civil service department's to achieve these certifications.

I will say no more on this subject except for two things.

First, that it is not uncommon to hear and see 'band-wagon' criticism of the civil and public service as being cosseted, of not being innovative, of being inefficient, of lacking customer focus. It may be a vain hope, but I do hope that the evidence not just in my Department but across the public service over the pandemic period will help to dispel these lazy caricatures.

Second, I am hugely proud to be associated with the work of the Department's staff and indeed of the 350 other public servants who worked with us on occasions over the past period. I say associated because it is not my work but theirs and I hope you will join me in acknowledging that work and offering a heart-felt appreciation

Turning now to the matters under consideration today.

Accounts of Vote 37 and the Social Insurance Fund

Payments and services delivered by the Department fall into two broad categories – those which are based on social insurance contributions and which are funded from the Social Insurance Fund (SIF), and those which are provided under Vote 37 being mainly means-assessed welfare payments, employment services and programmes, and agency services. So, for example, people who suffer from a long-term illness or disability can, if they have enough social insurance contributions avail of an Invalidity Pension payment from the SIF. If they do not have enough contributions, or if they have never worked, they can apply for Disability Allowance from the Vote.

The Committee will note, from the 2020 accounts, that total expenditure on Vote 37 services and administration, before appropriations-in-aid, amounted to €16.5 billion. This was €5.6 billion higher than 2019 Vote expenditure of €10.9 billion. €5.4 billion of this increase related to expenditure on Covid income and employer supports. Excluding 2020 Covid expenditure charged to the Vote, primarily PUP, TWSS, and EWSS, the additional expenditure represented a small increase of 1.9% compared to 2019 spending, and this was within 2.8% of the November 2020 further revised estimate for the year. If Covid related expenditure is excluded from the comparisons, the expenditure for the year amounted to €11.1 billion, an increase of €0.2 billion or 1.9% compared to 2019

Expenditure on SIF services amounted to €14.1 billion (excluding payment for the National Training Fund). This was an increase of €4.1 billion on the 2019 outturn of €10 billion..

Again, if Covid related expenditure is excluded, the adjusted figures for 2020 show expenditure of €10.4 billion an increase of €0.4 billion or 3.7% compared to 2019.

Combined expenditure of €30.5 billion in 2020 represents approximately 14.6% of modified Gross National Income for the year.

Looking across both SIF and Vote, and excluding Covid related payments, the total increase in gross expenditure from 2019 to 2020 was €0.6 billion or less than 3%,

It is clear that there are a number of key drivers of this change, with €265 million additional expenditure related to pensions, of which demographics account for €218m and €47m relating to pension budget measures.

Similarly, illness/invalidity payments increased by €263m or 5.8%, of which €36m related to 2020 Budget measures, €70m was for an extra pay-day on certain payments, with the balance due to demographic and other factors. As previously discussed at this Committee, these demographic trends are likely to continue with significant implications for expenditure and funding of the Social Welfare system. This issue was at the heart of the deliberations of the Pensions Commission and members will be aware that it has made a number of proposals both with regard to mitigating the cost impact and generating the necessary revenue to fund the inevitable increases in expenditure. These proposals are now being considered by Government and have also been referred to the Joint Oireachtas Committee on Social Protection, Rural and Community Development and the Islands and to the Commission on Tax and Welfare. Taking account of inputs from these bodies, it is expected that the Government will provide its response by the end of March 2022.

Control of Expenditure and Control of the Pandemic Unemployment Payment

Chapter 9 of the Comptroller and Auditors General's report is concerned with control over welfare payments – meaning the processes and systems used by the Department to try to minimise incorrect payments. Chapter 11 is specifically concerned with control of the PUP.

Chapter 9 makes no recommendations but chapter 11 makes a number of recommendations with respect to control over PUP payments.

I am mindful that an essential purpose of this committee is to challenge the Department's approach to control with a view to minimising the level of overpayments. By their nature, discussions on this topic can tend to focus on the few exceptions rather than on the general rule. In other words, on the small percentage of claims that give rise to overpayments, and in particular the sub-set of those claims that are fraudulent in nature, rather than on the fact that the overwhelmingly majority of claims are validly made and legitimately paid. This can unfortunately feed ill-informed commentary that does a huge disservice to the honesty and dignity of people who benefit from the payments we make. I know from previous meetings with this Committee that Committee members are equally sensitive to this issue.

Turning to Chapter 11 on PUP

I have said at this Committee before that one of the challenges faced by the Department is to strike a balance between, on the one hand, designing and managing large scale service processes that are reliable, efficient and effective for the overwhelming majority of people who use our services and, on the other, implementing controls and checks to assure

payment and service integrity - to reduce fraud and error. However, we are mindful in doing this that our primary purpose is to support people who need support and that we cannot pursue the elimination of error or fraud at the cost of unreasonably denying entitlement to service or frustrating access to that entitlement.

This is always a key consideration and never more so than when implementing the Pandemic Unemployment Payment.

Given the volume of claims to be processed, the level of public anxiety arising from the truly dystopian images we witnessed in other countries around the world, the need to ensure people who lost employment due to Government mandated measures were supported, and the imperative to buttress public acceptance of those measures, it was, I believe correct, when designing PUP within an incredibly short time period, to accept a higher level of risk and to favour prompt processing over very tight control. This was an approach that was recognised and formally recorded when implementing the scheme.

That is not to say that there was no control. In fact, there was a range of take-on and in-payment controls and, while they may not have been as extensive as for normal jobseeker payments, their impact is reflected in the fact that about 500,000 of the claims processed were not awarded. In addition, in-payment control reviews are associated with about a further 143,000 claim closures. It is also notable I believe that although the Comptroller and Auditor General's Report identifies control improvements that could be made, the gross level of overpayment estimated based on a sample of claims reviewed was 9.4%. In making this estimate the report notes the Department's observation that the figure is arguably inflated by the inclusion in the sample of periods when there was a high level of churn on the scheme.

Excluding these periods, the estimated overpayment level would be about 6% a figure that is consistent with the data from the work now concluded in awarding accredited contributions. These estimated figures need to be seen in the context where overpayment levels in welfare administrations, not just in Ireland but around the world tend to average about 3 – 5%, with high churn schemes such as jobseeker payments having somewhat higher rates. It would have been untenable, I believe, to impose the normal level of control checks, and frustrate prompt access to payments during the period of a global pandemic in order to achieve a marginal percentage reduction in overpayment levels. It is also to be borne in mind that the Department can and will in the coming months review claims paid and, for example, using data matching with Revenue records, identify and pursue recovery of overpayments made. Any overpayments made will of course be followed up in a reasonable and proportionate manner.

Having said this, I accept that the level of overpayment is material in absolute terms, that it is always possible to do better and that the recommendations made in the report are

appropriate. I have therefore accepted these recommendations and can confirm that they are being actioned.

Management of Appeals

Chapter 10 reviews the approach to management of appeals and contains a number of recommendations.

By way of background the Appeals Services, headed by the Chief Appeals Officer, although part of the Department, has statutory independence in the performance of its functions. Each year, it receives and processes about 23,000 appeals representing about 1.4% of all claims decided by the Department. As part of the appeals process it forwards all appeals received to the Department providing the Department with an opportunity to review the decision made based on the appeal submissions of the appellant. Typically, about 20% of appeals result in revised decisions being made by the Department. The balance fall to be determined by an Appeals Officer. Overall, taking Department reviews and Appeals decisions together over 50% of appeals, (representing about 0.7% of first instance decisions) result in a favourable outcome for the appellant.

It is important in saying this to point out that the 'success rate' varies by scheme and generally speaking, the schemes with higher success rates tend to be schemes that rely on medical evidence as to a person's capacity for work or requirement for care. While not the only factor at play it is often the case that appellants submit additional medical information on appeal that was not available to the Department's deciding officer with the initial claim.

In order to address this issue, the Department has worked with advocacy groups to revise its application forms – new Domiciliary Care Allowance forms were introduced in 2014 and new Disability Allowance and Invalidity Pension forms will be launched in 1st half of 2022.

In terms of processing performance, the Appeals process can be 'quasi-judicial' in nature with all parties to an appeal being provided with the opportunity to submit information and "state their case". This necessarily results in a lengthy process. Nevertheless, increases in the number of Appeals Officers in recent years are now bearing some fruit and appeals processing times have improved. The approach to considering appeals and in particular to interaction between the appeals office and the Department both to improve feedback on decision quality and to reduce transaction times is also being reviewed and it is hoped that this, together with the implementation of a new IT system starting in 2022, will lead to further improvements. In addition, in order to improve overall management capacity within the office, including quality assurance, the Minister is bringing forward legislation in the forthcoming Social Welfare Bill to enable the appointment of more than one Deputy Chief Appeals officer.

These measures help to address the six recommendations made in the report of the Comptroller and Auditor General. All of the recommendations have been accepted and are in the course of implementation with some already complete. I am happy to provide further information on the actions taken if required.

Other Issues

I understand that Committee Members have expressed an interest in discussing issues related to “false” self-employment and the contracting of public employment services. Both of these topics were the subject of detailed discussion at this and other Committees in recent years including in response to reports presented by the Comptroller and Auditor General.

The issue of false self-employment was also the subject of a recent report by the Joint Oireachtas Committee on Social Protection, Rural and Community Development and the Islands. In order to assist the Committee, I have also provided some additional material in response to questions submitted to the Department last week.

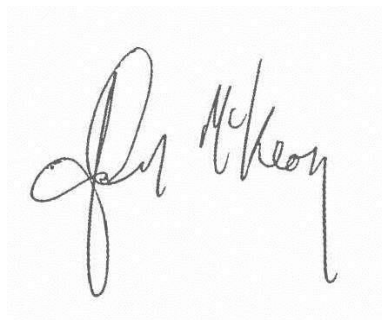
Rather than go into these matters further in this opening statement, I will be pleased to respond to any questions that member may have.

I will conclude as I have before by saying that as a Department, while we try to do our best, we are not perfect and we don't always get things right. We pride ourselves on, and hope we are open to, challenge, criticism and suggestions for improvements.

This process today 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

A handwritten signature in black ink, appearing to read "John McKeon". The signature is written in a cursive style with a large initial 'J' and 'M'.