23.1 Basic Pensions - Rs 11.95 billion

Payment of basic pensions for periods July 2008 to June 2009 and July 2009 to December 2009 totalled Rs 7.57 billion and Rs 4.38 billion respectively. These represented around 85 per cent of the Ministry’s total expenditure for these periods.

23.1.1 Non compliance with National Pensions Act

National Pensions Officer

The Ministry disbursed non contributory basic pensions which were determined in accordance with the National Pensions Act. The National Pensions Officer shall be the sole authority to determine claims to benefits under this Act. A “National Pensions Officer” being the public officer entrusted by the Minister with responsibility for carrying out the duties specified in the National Pensions Act was not seen nominated.

Effective date for Regulations

New rates for pensions were being applied and payment effected accordingly prior to regulations being made and gazetted. These payments were therefore not in line with the Act.

Conditions for Payment of Benefits

A minimum period of residence was a prerequisite for entitlement of benefits for citizens and non citizens. Regulations also provided for non-payment of benefits in respect of prolonged absence, detention, admission in hospital or charitable institution and remarried widow.

Investigations need to be carried out prior to awards and subsequent payments. However, proper certificates were not seen in files in respect of these investigations. The above regulations might not therefore be complied with. Such cases of non compliance were thereafter noted by the Ministry of Social Security, National Solidarity and Senior Citizens Welfare and Reform Institutions (MSS). These have led to overpayment of benefits, the recovery of which proved difficult and uncertain in most cases.

23.1.2 Processing of claims and payment of benefits

Applications for pensions made at the respective Social Security Sub Office and input in the pension system were forwarded to the Benefits Section for processing. However, basic rules and financial regulations for the prevention and detection of errors and possible irregularities in pay sheet processing were not seen adhered to as follows:
- Standing data were not verified on a cyclical basis against source data, i.e. information held by the Civil Status Division regarding death of beneficiaries of basic pension or remarriage of widows. This would have limited cases of overpayments.

- Variations in initial data were not effected from request on duly authorised controlled forms. Monthly reports on variations were not available for control purposes.

- The Officers examining the pay sheets were carrying mainly arithmetical checks. They had no formal training in pension legislations and financial regulations.

- The correctness of payments on the pay sheets was not certified by the Commissioner, Social Security and not authorised by the Accounting Officer.

23.1.3 Beneficiaries of Carer’s Allowance also registered as employees.

At paragraph 21.2.3 of the Annual Report 2006-2007, I mentioned that 2,300 beneficiaries of basic invalid pensions (BIP) were insured employees. As of June 2009, the number of beneficiaries of BIP registered as employees as per the contribution database of the National Pensions Fund was 3,000. Included were 638 persons who were also paid carer’s allowance (ABIP) implying need of constant care and attention. It was noted that certain beneficiaries of ABIP were still in employment. Investigation to confirm need to pay carer’s allowance in such cases was not seen carried out.

23.1.4 Persons drawing both Basic Pensions and Social Aid

In certain cases, beneficiaries of basic pensions were also drawing social aid. However, in such cases separate files for a beneficiary of more than one type of benefit were maintained at different offices. This was not conducive to proper control.

There is need for maintaining a central file for each beneficiary deriving more than one type of benefit.

Recommendations

The National Pensions Officer would have to be designated by the Minister to ensure compliance under the Act regarding determination of claims.

Regulations and gazetting need to be done promptly to ensure validity of payments of increase in rates.

Prior to awards, documentary evidence and certificate regarding compliance with regulations in respect of restrictions need to be available in files.

Pay sheets need to be reconciled on a monthly basis, certified correct and authorised as per the Finance and Audit Act.
Ministry’s Reply

➢ Decision is being taken to address the issue of National Pensions Officer.

➢ *It is practically impossible* for either the Commissioner, Social Security or the Permanent Secretary to certify the correctness of payments on the pay sheets. This is delegated to *lower grade officers*.

➢ There is no provision in the law that prevents payments of carer’s allowance to those in employment.

➢ Files for persons drawing both basic pensions and social aid are kept separately as the units processing the claims are distinct from each other.

23.2 Overpayment of basic pensions still outstanding- Rs 46 million

There have been, over the years, overpayments following death, prolonged absences from Mauritius of beneficiaries or other reasons which have not been detected at an early stage. Not only were most of these overpayments not recouped, but cases of overpayments continued to arise.

As of 31 December 2009, overpayments still to be recovered amounted to some Rs 46 million. Overpayments were mainly attributed to:

➢ Undetected death of beneficiaries
➢ Errors in the system or in processing
➢ Prolonged absence of beneficiaries from Mauritius and
➢ Remarriage of widows

Cases of overpayments were noted as follows:

➢ In 2008-09, some Rs 12.6 million concerning 1,234 cases and
➢ In the six months ending December 2009, some Rs 11.4 million for 330 cases.

Please refer to Table 23-1.


**Table 23-1 New Cases of Overpayment July 2008- December 2009**

<table>
<thead>
<tr>
<th>Reasons for overpayment</th>
<th>No of new cases (July 2008- June 2009)</th>
<th>Amount Overpaid Rs</th>
<th>No of new cases (July 2009- Dec 2009)</th>
<th>Amount Overpaid Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>621</td>
<td>5,733,756</td>
<td>117</td>
<td>2,963,553</td>
</tr>
<tr>
<td>Departure</td>
<td>116</td>
<td>4,469,099</td>
<td>117</td>
<td>5,981,175</td>
</tr>
<tr>
<td>Child Allowance</td>
<td>37</td>
<td>115,429</td>
<td>19</td>
<td>115,154</td>
</tr>
<tr>
<td>Remarriage</td>
<td>52</td>
<td>664,168</td>
<td>23</td>
<td>783,529</td>
</tr>
<tr>
<td>Error</td>
<td>154</td>
<td>1,102,565</td>
<td>19</td>
<td>795,510</td>
</tr>
<tr>
<td>Error/System</td>
<td>244</td>
<td>271,700</td>
<td>1</td>
<td>4,258</td>
</tr>
<tr>
<td>Error/ Contribution</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>138,137</td>
</tr>
<tr>
<td>Double Payment</td>
<td>10</td>
<td>256,367</td>
<td>17</td>
<td>653,015</td>
</tr>
<tr>
<td>Prisons</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>18,196</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,234</strong></td>
<td><strong>12,613,084</strong></td>
<td><strong>330</strong></td>
<td><strong>11,452,527</strong></td>
</tr>
</tbody>
</table>

Most overpayments arose following death or prolonged absences of beneficiaries as their names were not removed promptly from the database. Also overpayments occurred due to processing and system errors.

**23.2.1 Overpayments in respect of death cases**

Names of deceased persons were removed from the database on basis of information from the Civil Status Division (CSD) received by MSS through post on a weekly/fortnightly basis and since January 2009 by means of e-mail on a daily basis.

This practice between the MSS and CSD was not a long standing one.

- Information concerned mainly current death cases to be acted upon by MSS. However, even then overpayments were noted.

- The deaths reported by CSD related to those arising in Mauritius. Deaths of beneficiaries arising overseas remained undetected. No formal system was in place to secure such information for action to avoid unwarranted payment.

- Information from the CSD was acted upon to adjust the database. As such, the information needed to be strictly controlled, subjected to independent check and other reviews. However, no central file was kept to monitor such information and evidence. It was therefore difficult to confirm whether action has been taken by MSS to stop payment of benefits in respect of all cases reported by the CSD.
Dependents were not recorded as beneficiaries. But allowances entitled by them were paid to responsible parties/beneficiaries. Information from CSD was compared with beneficiaries and not with dependents. This method did not allow for the detection of death of a dependent in order to stop payment of allowances to the responsible party/beneficiary. The possibility of overpayments in such cases could not be overlooked.

There was no legal requirement or formal agreement between the MSS and the CSD to submit the necessary information regarding deceased persons and remarried widows. Regarding latter cases, remarried widows whose religious marriages were not registered might still be deriving benefits. There was no legal requirement for submission of such information to detect such cases from relevant institution monitoring religious marriages.

23.2.2 Overpayment in respect of prolonged absences from Mauritius

Beneficiaries remaining absent from Mauritius beyond certain prescribed periods were not entitled to benefits. Action has to be promptly taken to stop payment in such cases. However, as shown in Table 23-1, overpayments in such cases amounted to a very large amount. It was explained that information regarding absences from Mauritius has to be obtained from the Passport and Immigration Office of the Police Force by the MSS. However:

- Completeness of such information could not be ascertained at MSS in absence of centrally kept file;
- No system was seen in place to detect beneficiaries staying away from Mauritius beyond prescribed periods by using foreign passports due to their double nationality; and
- There is no requirement legal or otherwise for submission of the necessary information by the Passport and Immigration Office to the MSS to allow the stopping of payments of benefits in all cases warranting same.

There is therefore a very high risk of persons still being paid benefits though they might no longer be entitled to same due to prolonged absences from Mauritius.

23.2.3 Absence of memorandum of understanding

The prompt removal from ‘list of beneficiaries’, of deceased persons as well as of those leaving the country longer than a specified period as per regulations depend on the availability of relevant and reliable information. This required the collaboration of two departments falling under the aegis of the Prime Minister’s Office namely, the Civil Status Division (CSD) and the Passport and Immigration Office of the Police Force. As of December 2009, there were neither established procedures regarding obtention of the necessary information from these bodies nor a memorandum of understanding between MSS and these bodies regarding same. There were furthermore no legal requirements for submission of this information to the MSS.
23.2.4 **Overpayment/double payment due to errors**

Overpayment amounting to some Rs 2 million arising from processing or computer system errors and nearly Rs 1 million in respect of double payment was detected in the eighteen months ending December 2009. Double payment in respect of same beneficiary was clearly unacceptable. Such errors pointed to weakness in the internal check system and IT controls. The whole system of internal check would have to be reviewed by management to detect any such remaining cases and to avoid recurrence of same.

23.2.5 **Recovery of overpayment**

Once detected certain actions were undertaken by the MSS to recover the overpayment. Refunds were either voluntary by third parties in case of death of beneficiaries or by deduction monthly of a certain percentage of benefits. Such actions have up to now only allow the recovery of some thirty per cent of amount overpaid. Some Rs 15.3 million remained outstanding for more than four to twelve years. Recovery action would no longer prove efficient in such cases, and recovery of outstanding amount would even be very uncertain as there was no other legal requirement to enforce same.

23.2.6 **Overpayment to dead or ineligible persons**

Given above, doubts arise as to the integrity of the database for payment of benefits. Records of the MSS even reported continued overpayment for 15 years after the death of a beneficiary. This was as high as Rs 1 million.

Some 200,000 beneficiaries were recorded on the database. Unless a comprehensive review of the database is done to confirm existence and eligibility of beneficiaries, *(that is, that they are still alive, not under prolonged absence, not remarried, and still eligible)* the number of persons recorded in the database still deriving benefits though not entitled or no longer entitled to them cannot therefore be confirmed.

The risk of unwarranted payments to non-eligible persons remains therefore very high. This could lead to substantial overpayment per person, impossibility of recovery thereafter and consequential loss to government for as high as seventy per cent of amount overpaid could still not be recovered.

**Recommendations**

A comprehensive review of the database would need to be done to confirm existence of beneficiaries, their eligibility and integrity in the database.

Memorandum of understanding with other bodies or regulations would have to be addressed to ensure that information is promptly received by the MSS regarding deaths, prolonged absences, remarried widows and others to prevent overpayments.

A central file would have to be kept for each beneficiary deriving more than one type of benefit for control purposes.
Legal advice would have to be sought by the MSS regarding ways and means to recoup long outstanding overpayments.

Legislation should provide for beneficiaries or his representative to inform the Ministry of a material change in circumstances for non entitlement to benefit. The possibility for submission of life certificate on a yearly basis would have to be envisaged as a means to avoid overpayments.

Ministry’s Reply

➢ Departure from Mauritius pertaining to beneficiaries of Basic Widows Pensions and Basic Invalidity Pensions as well as of holders of both Mauritian and foreign passport are not made available to the Ministry. Pending solutions, overpayment may still occur in these cases.

➢ Necessary control measures are being worked out to curtail the double payment problem.

➢ Information in respect of death cases prior to 2001 was not available to confirm integrity of database.

23.3 Social Aid

The Social Aid Act provides for assistance by the MSS to low income and needy persons. It therefore targets vulnerable groups confronted by economic, environmental and health issues impacting on their livelihood.

Under this Act, financial assistance was to be provided to persons temporarily or permanently incapable of earning their living for reasons such as illness, accident, and to abandoned children and single mothers amongst others. Such assistance included rent allowance, funeral grant, food aid, allowance to flood & fire victims and discharged prisoners.

In that context, some Rs 812 million (Rs 518 million for 2008-09 and Rs 294 million for six months ending 31 December 2009) were disbursed by the MSS. Payments to needy persons were effected by the MSS as follows:

➢ monthly by pay clerks at sub offices

➢ by means of ‘Immediate Cash Payments’ (IPs)

Financial assistance was mainly to be paid on the basis of monthly pay sheets generated from the computerised system which listed names of beneficiaries. IPs was to be one off payment to cater for exceptional circumstances and subject to the approval of the Permanent Secretary.

Given the wide spectrum covered by social aid and the extent of IPs, well defined and approved procedures as well as documentary evidence are needed to confirm that:

➢ Rates paid were in accordance with regulations
Investigations were carried out to ensure strict compliance with regulations
Those claiming for such aid were entitled to same prior to award
Payments of aid were received and acknowledged by the needy persons and
IPs were duly approved and accounted for in the computerised system

However, these were not always seen adhered to as outlined below.

23.3.1 Non compliance with Act

New rates were applied by the MSS for payment of social aid while amendments to regulations and their publication in government gazette were made well after.

Regulations for rate effective as from July 2008 and July 2009 were made on 21 May 2009 and 25 November 2009 respectively. The latter was published in the Government Gazette of 19 December 2009. Amendment to regulation was still not seen in respect of new increases in rates which were being paid for social aid since January 2010. New rates paid prior to amendments to regulations and their gazetting would not therefore be in order.

Regulations provided for certain restrictions for payment of social aid. It is not payable in respect of any month before application date and three months from the date on which it became due and for persons admitted in hospital, charitable institution or detained in legal custody.

There was barely any evidence in the files of investigations being carried out to ensure strict compliance with the regulations regarding those restrictions on payment of social aid.

Overpayments were thereafter noted by the MSS resulting from non-compliance with the restrictions.

23.3.2 Validity of claims

Formally approved procedures were not seen regarding assessment of claims for social aid, their determination, and preparation of pay sheets or IPs for payment to ultimate needy persons.

This did not allow for control to confirm validity of claims as depicted below and might result in payments made to those not entitled to such aid.

Verification of employment status which was a key element for determination of eligibility for social aid was seen carried out mainly by interviewing the applicant. Documentary evidence of investigation of income from other sources was not always available.

Visits to claimants were carried out by officers at level of their sub offices for assessment and determination of claims. Approved plans for such visits were not seen at three sub offices sampled for audit. Visits could therefore not be monitored.
Evidence to authenticate claimants/dependents and to confirm the validity of claims was essential. However, copies of documents to justify the claims were not always seen in files. Wherever these were available they were not certified as true copies of originals. Firm evidence was hence not always available to confirm validity of claims.

Evidence of relationship with dependent was not seen enquired though allowance in respect of ‘abandoned child’ was granted. Copies of the birth certificates of the abandoned children were not even seen in certain files scrutinised.

Fire assistance totalling some Rs 3.6 million were provided to 260 persons through IPs. Reports from Fire Services Division (FSD) to confirm fire outbreaks and extent of damages were not considered prerequisites by the MSS to provide financial assistance in fire cases. Only police statements mentioning reported fire case were seen in files. Independent confirmation from the FSD of damages caused by fire was not therefore available.

Travelling expenses were paid to persons in need of daily medical treatment attending hospitals or other institutions. Certificates regarding need for daily medical treatment were not always available in file. In two cases, beneficiary attended hospital every day since 2008 and monthly travelling was refunded through IPs.

23.3.3 Validity of payment

Applications were received at sub offices. Visits to claimants, determinations of claims and input in the computerised system were not seen carried out by different officers. Monthly pay sheets listing the beneficiaries were thereafter generated. These formed the basis for payments by Clerical Officers acting as pay clerks.

However:

- Segregation of duties were not adequate to provide the necessary control;
- Monthly reconciliations of pay sheets were not done to confirm correctness of variances; and
- Pay sheets were not signed by the appropriate party to certify their correctness.

These did not allow for control for the prevention and early detection of errors or possible irregularities.

23.3.4 Acknowledgement of receipt of cash

Cash payments exceeding Rs 500 million were not seen acknowledged individually by beneficiaries either by means of their signatures or by specified proxy forms. On payment, the cards in possession of beneficiaries were stamped paid and the National Identity Card number of the third party collecting money on behalf of a beneficiary was noted on the pay sheet.
There was no formal method of designating proxies, and this could be detrimental to vulnerable persons. The Social Aid Regulations stated that the Pay Clerk should ensure that the person has been duly authorised by the applicant to receive the payment. However, in the absence of duly signed proxy forms to receive payment on behalf of beneficiary, this regulation was not seen complied with.

Stamping of social aid cards was not evidence of receipt by beneficiaries. It also did not allow confirmation of existence of a beneficiary.

Absence of signatures and proxy forms to acknowledge receipts of cash defeat basic financial practice. The approval of the Ministry of Finance was not seen.

23.3.5 Immediate Cash Payments (IPs)

Some Rs 84 million were paid by means of IPs for the period July 2008 to December 2009. However, only some Rs 71 million were recorded in the computerised system. The difference of Rs 13 million represented some 30,000 IPs.

IPs still awaiting to be recorded since June 2006 amounted to some Rs 42 million. Amount still to be recorded prior to June 2006 was not known.

Non recording of all IPs in the computerised system would not provide for control.

IPs were also seen drawn for other than urgent cases and were not strictly one off payments as beneficiaries of social aid were also regularly drawing IPs.

In 6,600 IP cases, the persons applying and collecting the benefits were other than the person in whose names the applications were made. Duly signed proxy forms were not seen. Evidence was not seen to confirm receipt by intended beneficiary.

Regulations provided each case to be approved by the Permanent Secretary prior to payment through IPs. This was not seen done.

The risk of payments to non entitled persons remained very high in the absence of guidelines.

23.3.6 Rental allowance- Rs 9 million

Beneficiaries of basic retirement pension (BRP) who lived alone and paid rent were drawing a monthly rental allowance. Rent allowance was included in the end of year bonus for social aid for the years 2008 and 2009. This would not be in line with good practice as rent is payable on a 12 months basis. This resulted in an overpayment of Rs 1 million for 2008 and 2009. Photocopies of rent books as evidence were either not seen in files or did not relate to the period paid for.
Recommendations

Procedures need to be standardised. Management should ensure that adequate evidence is placed on records regarding assessment and determination of claims.

Payments to actual beneficiaries need to be evidenced by their signatures or thumb prints. Payment to third parties should be supported by properly designed proxy forms as well as the signatures or thumb prints of the persons cashing the benefits.

Management should ascertain that all IPs vouchers are input in the computerised system and that benefits through IPs are meant for strictly urgent and exceptional cases and approved as per regulations.

Ministry’s Reply

➢ Cash payments to beneficiaries will henceforth be acknowledged by means of their signature or thumbprint.

➢ Action has been initiated to input all IPs in the system.

➢ Bonus will henceforth not be paid on rent allowance.