

The COVID-19 Related Emergency Support Scheme

March 2021

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Summary

Introduction

1. The rapidly evolving nature of the COVID-19 pandemic has called for an extraordinary response from Government as it has sought to save lives and protect health and livelihoods in Jersey. The principles of good governance, transparency, value for money, effective internal control and accountability for the use of public funds remain during a time of emergency. Whilst public financial management systems need to be responsive and flexible, it is essential that they continue to ensure value for money and minimise the risk of fraud and corruption.
2. An important part of the Government of Jersey's response to the COVID-19 pandemic was the introduction, at pace, of schemes to provide financial support to businesses and individuals on the Island. The Government's initial measures to assist local businesses, and preserve Islanders' livelihoods, were announced within 24 hours of the categorisation of COVID-19 as a pandemic by the World Health Organisation. The schemes that were introduced included the Payroll Co-Funding Scheme (PCFS), the COVID-19 Related Emergency Support Scheme (CRESS) and the Disruption Loan Guarantee Scheme. The introduction of these schemes at scale and pace placed a significant burden on officer resources.
3. In a series of reviews, I am evaluating the Government's response to the COVID-19 pandemic. This report evaluates the robustness of the processes and controls for the design and implementation of CRESS. CRESS provided temporary financial support to workers with under five years' residency who lost their normal employment income due to the COVID-19 restrictions. In particular, the objective of CRESS was to support workers who fell outside the PCFS and who were not eligible for public support under any other benefits. It was expected that CRESS would operate for a short period of time and, when introduced, a small volume of claims was expected. CRESS ran from 1 April 2020 to 31 August 2020.
4. My review of CRESS focusses on the following aspects of the scheme:
 - scheme objectives, business case and decision making
 - design and operation of the control framework; and
 - monitoring and reporting.

5. As noted above, the Government introduced a number of schemes to provide financial support to businesses and individuals during the COVID-19 pandemic. I have undertaken separate reviews in respect of the PCFS, and the Disruption Loan Guarantee Scheme, the results from which will be reported separately.

Key findings

6. The key findings from my review are as follows:
- Ministers were clear in their articulation of the scheme objective when making their decision to implement CRESS. The objective of CRESS remained consistent throughout the lifetime of the scheme
 - at its peak, CRESS supported over 330 households from a variety of backgrounds, with £550,550 spent during the lifetime of the scheme. There were over 470 applications for support. At February 2021, the overpayments identified totalled £75,690 (13.7% of total payments) across 138 applications, of which £50,890 (67.2% of total overpayments) had not yet been repaid. The overpayments were identified through the CRESS team checking employer contribution payments to CRESS claimants. Action is being taken to recover the over payments made
 - the CRESS Guidelines set out the nature of the scheme, definitions and eligibility criteria. They enabled the Government to both require the claimant to work on Government and community actions and to seek repayment of monies either incorrectly paid or falsely claimed
 - there was no articulation of the risk appetite in relation to the scheme and its impact on the level of acceptable risk to be borne, in the business case supporting CRESS. The Council of Ministers acknowledged that the implementation of CRESS at pace meant that there had been insufficient time for officers to review and stress-test the new procedures. The heightened risk of fraud, which would not be considered acceptable under normal circumstances, was also acknowledged
 - a framework of internal controls was implemented to manage the scheme. Internal Audit provided challenge to the design and operation of these controls; and
 - the CRESS team has recognised the importance of learning for both individual and organisational development by assessing the key lessons from designing and operating the scheme. The CRESS team has reflected on its experiences and has captured the lessons learned in a formal report.

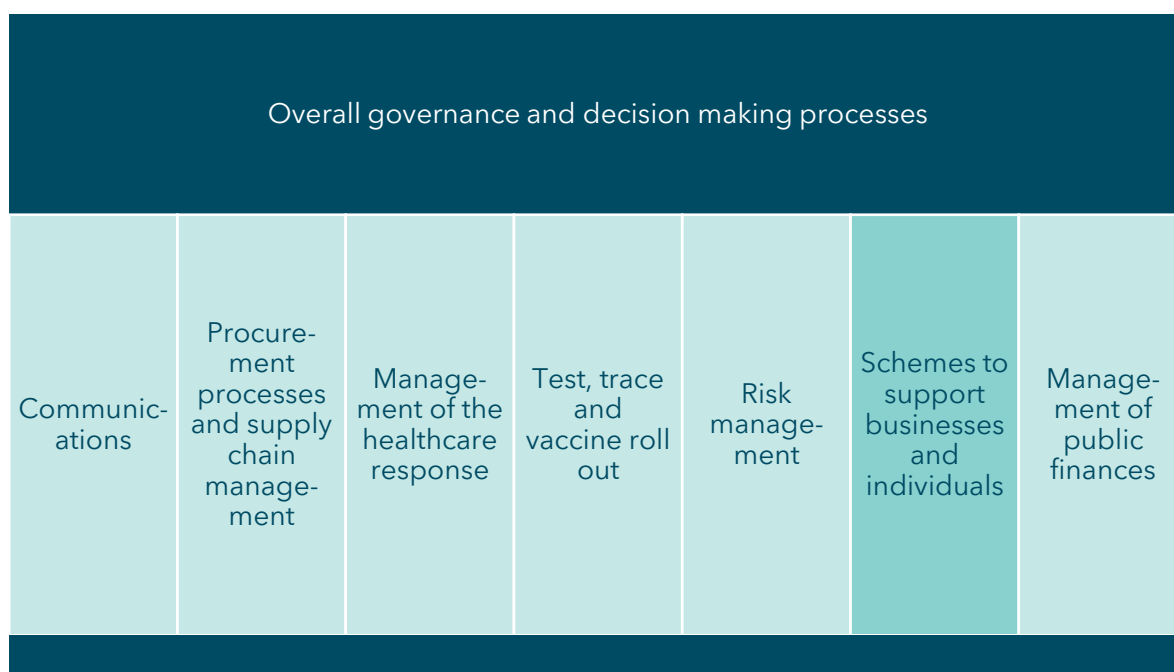
Conclusions

7. The Government moved quickly to develop and implement CRESS to support individuals who were not eligible for support under other schemes in place. In doing so, an appropriate balance was struck between the speed of response to the claimant and the controls put in place to guard against the risk of inappropriate payments.
8. CRESS provided support that was needed. However, it was difficult to administer due to the extent of the manual administrative processes required in a scheme set up quickly and without time to develop supporting IT systems. Going forward, the lessons learned from CRESS should be used to provide valuable input into the design of future schemes.

Objectives and scope of the review

9. The review is part of a series of reviews I am undertaking looking at the Government's response to the COVID-19 pandemic as shown in Exhibit 1.

Exhibit 1: C&AG reviews of the Government response to the COVID-19 pandemic



10. As noted in the introduction, the Government of Jersey introduced a number of schemes to support businesses and individuals on the Island during the COVID-19 pandemic. The objectives of this review relate solely to CRESS which was put in place to support individuals.
11. The review has evaluated the robustness of the processes for the design and implementation of internal controls in respect of CRESS. It considers:
- scheme objectives, business case and decision making
 - design and operation of the control framework; and
 - monitoring and reporting.
12. The review approach is explained in detail in Appendix One.

Detailed findings

Scheme objectives, business case and decision making

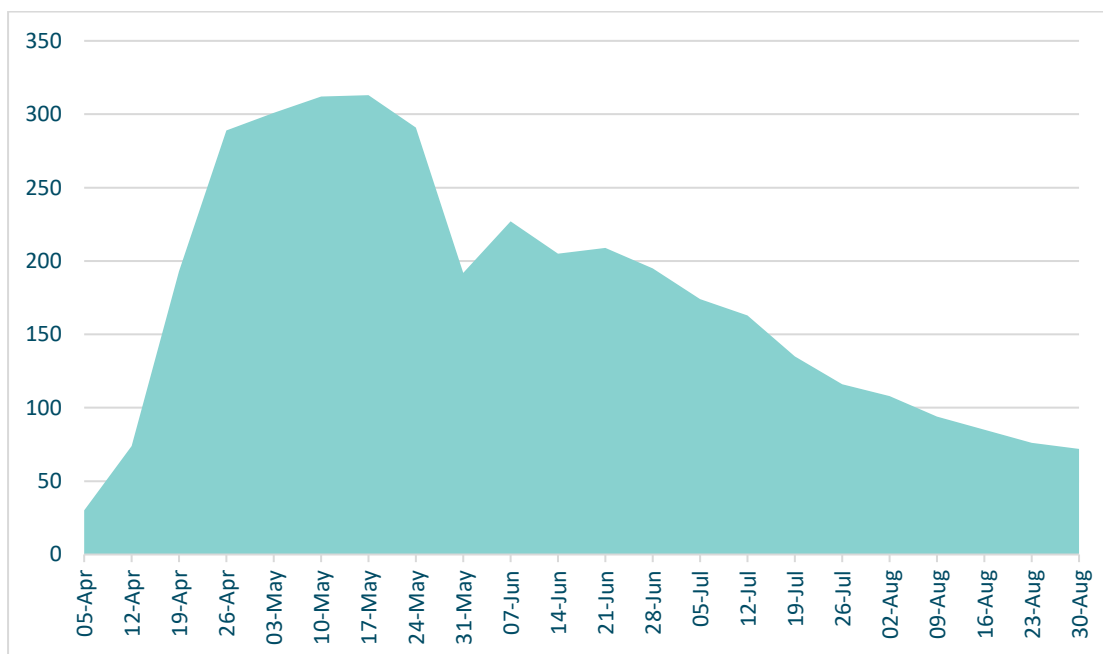
Scheme objectives

13. The introduction of CRESS was approved by the Council of Ministers at its meeting on 26 March 2020 and was announced to the public on 1 April 2020.
14. The objective of the scheme announced to the public was 'to support registered people who have been working in Jersey for less than five years and who have lost their full-time employment income because of the Coronavirus (COVID-19) pandemic.' The aim was to provide a basic level of income to cover living expenses during the period, initially from 1 April 2020 to 30 June 2020.
15. Under the rules in place at the time, individuals with fewer than five years' residency were not covered by any means-tested benefit scheme. The business case that supported CRESS estimated that approximately 400 registered workers might need financial support as they fall outside the PCFS.
16. When the scheme was announced, applicants were required to have lived and worked in Jersey for at least the previous six months. This eligibility criteria were updated on 28 April 2020 to include people who had lived in Jersey for fewer than six months and had worked or had a reasonable expectation of work when moving to Jersey.
17. The weekly payment support to individuals under CRESS was as follows:
 - For people who had been working in Jersey for at least six months (CRESS 1):
 - single person £150 per week
 - couple who have both lost their employment income £250 per week; and
 - a child supplement of £50 per child was also available.
 - For those who have been working in Jersey for fewer than six months (CRESS 2):
 - £70 per week per person; and

- support with repatriation costs to be provided if travel arrangements could be made.

18. A condition of CRESS was that applicants should be available to support any voluntary, Government or community work required during the COVID-19 emergency. Applicants were also required to undertake relevant job-seeking activities and take up any paid employment that was available. The Government added this condition as a precaution should there be a need for additional workforce resources to undertake essential emergency work during the pandemic.
19. A Ministerial Decision was made on 29 June 2020 to extend the scheme to 31 August 2020. This decision was communicated publicly on 30 June 2020 prior to coming into effect on 1 July 2020.
20. The volume of active claims in each week that CRESS operated is shown in Exhibit 2.

Exhibit 2: Volume of active CRESS claims each week



Source: Customer and Local Services (CLS) data

21. May 2020 saw the largest volume of active claims. By the close of CRESS at the end of August 2020 there were still over 70 active claims.
22. Ministers were clear in their articulation of the scheme objectives when making their decision to implement CRESS. The objectives of CRESS remained consistent throughout the lifetime of the scheme, including during the period of the extension of the scheme.

The business case

23. The Minister for Social Security and the Director General for CLS were involved in business case discussions prior to the scheme being approved. Staff from the Strategic Policy, Planning and Performance department were also involved in the development of the policy and the business case. Staff from Treasury and Exchequer were involved with the development of cost estimates for the scheme.
24. Risks and mitigations are identified and evaluated in the business case. The assessment of risks included:
- uptake being larger than anticipated
 - the operation team being unable to cope with the volume of claims
 - low uptake; and
 - claimants being unable to access the online form.
25. The business case also set out risk mitigation arrangements for:
- fraudulent claims: *'Include audit processes in initial design. This includes careful wording of the application and declarations. Additionally, systems to be put in place to flag all cases where applicants are in receipt of other benefits and cross check with Social Security / Tax records where appropriate.'*
 - scheme is too easy to access and / or provides tax funded financial support that is not required: *'Tight eligibility conditions for entry. Eligibility planned to be checked throughout the 13 week period.'*
26. The business case articulated one key operational control in detail: *'Claimants will be cross checked against other benefit schemes and the PCFS,* but it failed to specify the controls and processes under 'normal financial transaction checks' and 'Internal Audit processes'. In practice, controls were put in place to monitor compliance with the eligibility criteria with the exception of the requirement to undertake relevant job seeking activities.
27. The business case did not consider a number of aspects of risk.
- The business case indicated that administration of CRESS would be undertaken by existing CLS staff but was silent on whether extra staff or IT resources were required to operate this scheme. The priority of Government was to ensure that a scheme was introduced to meet the urgent need identified. No detailed risk assessment regarding resources

was undertaken and additional team resources were required in practice to administer the scheme.

- There was no articulation of the risk appetite in relation to the scheme and its impact on the level of acceptable risk to be borne.
 - The articulation of the types of fraud the scheme might be susceptible to and how these would be mitigated could have been more extensive.
 - There was no documented assessment of value for money to consider the total costs including costs of staffing and administration.
28. The Council of Ministers, in considering the scheme, did acknowledge that the implementation of CRESS at pace meant that there had been insufficient time for officers to review and stress-test the new procedures. The heightened risk of fraud, which would not be considered acceptable under normal circumstances, was also acknowledged. Controls were put in place in practice to address the fraud risks identified.
29. The monitoring section in the business case did not set out the expectation of a post implementation assessment and evaluation of how CRESS met its objectives and whether it provided value for money. No specific evaluation criteria for the scheme were documented in the business case. However, the objective of CRESS was clear in that it was put in place to ensure temporary financial support was given to workers who had lost their normal employment due to COVID-19 restrictions and who fell outside of the PCFS.

Decision making

30. The Ministerial Decision to approve CRESS was made by the Minister for Social Security. The Minister for Treasury and Resources approved a non-recurring allocation from the General Reserve in 2020 of up to £710,000 to support the cost of CRESS. The estimated costs were based on a maximum take up of 400 claims in total over the initial 13 week period of CRESS. At February 2021 the figures show actual costs of £550,550 across 471 claims.

Recommendation

- R1** Ensure business cases for new schemes document the following clearly:
- the level of risk appetite and its consequences
 - specific risks relating to value for money, fraud and corruption and resourcing and delivery

- the purpose of eligibility criteria (including details of how compliance with the criteria will be monitored); and
- scheme success and evaluation criteria.

Design and operation of the control framework

Operational plan

31. A CRESS operational plan was put in place at the beginning of the scheme. The plan details:
 - project and operational team members
 - weekly timetable for eligibility checks, data input, system uploads and payment runs
 - shared data drives where scheme governance and operational data were kept and made available to team members
 - an action list which was updated and monitored at weekly team meetings
 - the risks, impact and mitigations relating to data security and operations
 - standard operating procedures and guidelines available to the operations team
 - standard letters and form templates available to the operations team; and
 - operations team members, their roles, training, language skills and systems access.
32. This plan demonstrates that a multi-disciplinary, multi-language operations team was brought together to project manage and administer the scheme. Team roles were identified and the team was provided with access to CRESS policies, guidelines and proforma letters and forms relating to the scheme.
33. There is evidence that risks and mitigations were shared with the operations team, that these formed part of the operational plan and were considered at CRESS project team meetings. Regular team meetings were held to assess the operation of the scheme throughout the scheme's duration.

The control framework

34. Three key internal controls were built into the scheme: cross check to other benefits; normal financial transaction checks; and Internal Audit processes. In addition, the number of applicants and the cost were planned to be monitored weekly. The declaration from claimants allowed the States to seek redress for false claims.
35. Legal advice was sought on the wording of the declaration required from claimants. The wording of the declaration aimed to strengthen and reinforce desired behaviours.
36. CLS planned a control framework for claims which included:
 - using existing contribution records to check the applicant's contribution record for October to December 2019. If there was a contribution record for each month in the quarter, the applicant would be considered for CRESS 1. If there was no record for each of October, November and December the applicant would be considered for CRESS 2
 - in exceptional circumstances, an applicant could be considered for CRESS 1 if they had a record missing from one of October, November or December but they had a record for the rest of 2019 (January - October). Where the application was from a couple, the contribution record of each partner would be checked
 - the applicant confirming that they had spoken to the previous employer and that it was not possible for the employer to maintain their earnings using the PCFS. CLS noted that it might contact the previous employer to confirm these details; and
 - if a person became re-employed for a period where they had received a CRESS payment, they would be required to repay it.
37. The online application process was tested prior to going live. Prospective claimants were identified using Social Security system data and contacted directly with an invitation to apply. Claimants were contacted to confirm they understood the declaration that they had agreed to.
38. The following checks were undertaken for each claimant:
 - identification and residency checks - with Social Security and tax systems
 - eligibility for other schemes - via the Social Security system

- duplicate claim checks, for example by using email addresses
 - changes in circumstances, recorded on 'change of claim rate schedule' which was reviewed and approved by both the project manager and the information analyst on a weekly basis; and
 - approval for large (>£1,000) claims and duplicate payment checks carried out electronically in the Social Security Navision [accounting] system prior to upload into the States of Jersey payment system.
39. Disallowed claims were manually reviewed as an additional check.
 40. Time constraints during the implementation phase of the scheme prevented the usual 'four eyes' risk control being carried out to confirm that the electronic 'instructions' used to extract claim data were running as expected. The 'four eyes' principle is a requirement that two individuals approve the electronic 'instructions' before they are run on the system. Therefore, the computer coding required to manipulate the data was written and checked by one analyst, with no secondary checking being carried out.
 41. A manual checking process was undertaken to review proposed changes to any claim rates in payment, to confirm the validity of the proposed change. This was a time consuming process.
 42. Upon the introduction of updated eligibility criteria on 28 April 2020, which took effect from 1 April 2020, no retrospective review of claims already processed was undertaken to confirm that no claims had been incorrectly allowed in light of the revised guidelines.
 43. CRESS was set up prior to PCFS. A data matching exercise was carried out when PCFS was implemented. This identified that some claimants had also claimed on PCFS. These claims were halted and investigated. Claims were re-opened if they were found to be bona-fide.
 44. Contact with previous employers was made in circumstances where there was a suspected overlap with PCFS or where employer contributions indicated that the claimant had undeclared earnings.
 45. The CRESS Guidelines make it clear that the Government required the claimant to work on Government and community activities and that it would seek repayment of monies either incorrectly paid or falsely claimed. The Guidelines state clearly that false claimants would be prosecuted.
 46. Controls to ensure that CRESS applicants adhered to the requirement to undertake relevant job-seeking activities and take up available paid employment were not

built into the control framework. The Government had added this condition as a precaution should there be a need for additional workforce resources to undertake essential emergency work during the pandemic. No such need emerged in practice.

47. More generally, post implementation checks have been carried out which have identified a number of overpayments. The closure report for the schemes states that the overpayments were due to a combination of fraud, misunderstanding and incomplete declarations from customers, with situations further complicated by the majority of the customer base not having English as a first language. At 11 February 2021, the total value of overpayments was £75,690 across 138 claimants, of which £50,890 is still being recovered.

Internal Audit

48. Internal audit provided feedback on the design of CRESS in the form of a review of the CRESS Policy Guidelines. Internal Audit also reviewed and provided comments on the CRESS business case. In a fast moving environment, Internal Audit reported its findings on 31 March 2020, the day before CRESS was launched and within a day of receiving the relevant documents. Internal Audit then carried out further work on the operation of the scheme and reported its findings formally in writing in late August 2020.
49. The business case for the extension to the scheme takes account of most of the Internal Audit comments made on the original business case. There were two comments from Internal Audit that were not however addressed:
 - the risk mitigation in respect of the operational team not coping with the volume of claims was not updated to address the risk identified (although the scheme was closed to new applicants on 1 August 2020); and
 - the monitoring processes section was also not updated to articulate fully the proposed audit processes.
50. Internal Audit reviewed the CRESS claimant and set-up process and internal controls during May and June, two months after the commencement of the scheme. Internal Audit provided verbal and email feedback on the scheme in June 2020. The formal written report was issued by Internal Audit in August 2020.
51. A retrospective review of 100% of disallowed claims was undertaken by a member of the CRESS team after the Internal Audit report, following identification of one eligibility error by Internal Audit.

Monitoring and reporting

52. Weekly data on active claims and the number of adults and children supported was collated by the CRESS team and submitted to Statistics Jersey who then published it. The value and number of the CRESS payments were circulated each week to the Project sponsor and the CLS Project Manager.
53. Processes were in place to monitor:
- the number of households supported
 - the number of applications
 - the payments made; and
 - the number of emails handled.
54. As noted earlier, the requirement to undertake relevant job-seeking activities and take up available paid employment was not monitored on a formal basis.
55. The project closure report noted that, at its peak, the scheme supported over 300 households from a variety of backgrounds. The report included high-level statistics around the scheme which are (as updated in February 2021):
- the scheme supported over 400 households
 - more than 471 applications were made for support
 - £550,550 was spent in support; and
 - more than 4,000 emails were handled.
56. The assessment of the effectiveness of the scheme is implicit in the project closure report. The measures of success reported are the numbers of claimants supported and the value of the support. However, these are largely input based measures identified after the scheme was implemented rather than outcome based measures against specified evaluation criteria. I note that CRESS has been recognised by both the Romanian and Portuguese ambassadors to Jersey and that the CRESS team has received a number of thankful emails and messages from CRESS recipients.
57. The CRESS team has reflected on its experiences from developing and implementing CRESS and has captured the lessons learned. The project closure report notes that, although the scheme was implemented quickly and successfully and that it supported 416 households during the pandemic (updated to 418 in

February 2021), it suffered the following consequences of being developed at speed:

- being overly complex
- resources and administrative needs to run the scheme not being adequately assessed and planned for from the outset; and
- reduced systems automation and testing.

58. The project closure report was prepared in order to assess the scheme's success and formally provide notice of project closure. The report was considered by the CLS project management group and leadership team but has not been shared more widely across the States.

59. The project closure report does not include:

- details of scheme success criteria or an evaluation against them
- the main reasons for rejection of unsuccessful claims
- a breakdown of fraudulent claims or claims made in error
- reasons for overpayments, or percentage of overpayments in relation to total payments (as checking procedures were still ongoing after the closure report was produced); and
- the cost and level of resources required to develop and administer the scheme.

Recommendation

R2 Consider how the lessons and recommendations identified from CRESS can be shared and taken forward corporately as well as within CLS.

Appendix 1

Audit Approach

The review included the following key elements:

- review of relevant documentation provided by the Government of Jersey; and
- interviews with key officers within the Government of Jersey and other relevant agencies.

The documentation review included over 90 documents, including:

- The Business Case
- Ministerial Decisions
- Press releases
- Scheme guidelines
- Ministerial meeting agenda and minutes
- Internal Audit reports
- Operational documents
- Financial reports
- Closure report

The following officers and individuals were interviewed remotely or provided written input:

- Director General, CLS
- Group Director and Project Sponsor
- Project Manager CRESS, CLS
- Acting Team Leader, Income Support
- Information Analyst, CLS
- Treasury Business Partner, CRESS

- Chief Executive, Citizens Advice Jersey
- Charity Manager, The Bosdet Foundation
- Head of Internal Audit
- Internal Audit Manager

I would like to thank all officers and individuals who have contributed to this report.

The fieldwork was carried out by an affiliate working for the Comptroller and Auditor General.

Appendix 2

Summary of Recommendations

- R1** Ensure business cases for new schemes document the following clearly:
- the level of risk appetite and its consequences
 - specific risks relating to value for money, fraud and corruption and resourcing and delivery
 - the purpose of eligibility criteria (including details of how compliance with the criteria will be monitored); and
 - scheme success and evaluation criteria.
- R2** Consider how the lessons and recommendations identified from CRESS can be shared and taken forward corporately as well as within CLS.



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