

Assessment of compliance with the Code of Practice for Official Statistics

Statistics on Fraud and Error in the Benefit System in GB

(produced by the Department for Work and Pensions)

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About the UK Statistics Authority

The UK Statistics Authority is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. It was established on 1 April 2008 by the *Statistics and Registration Service Act 2007*.

The Authority's overall objective is to promote and safeguard the production and publication of official statistics that serve the public good. It is also required to promote and safeguard the quality and comprehensiveness of official statistics, and good practice in relation to official statistics.

The Statistics Authority has two main functions:

1. oversight of the Office for National Statistics (ONS) – the executive office of the Authority;
2. independent scrutiny (monitoring and assessment) of all official statistics produced in the UK.

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ASSESSMENT AND DESIGNATION

The *Statistics and Registration Service Act 2007* gives the UK Statistics Authority a statutory power to assess sets of statistics against the *Code of Practice for Official Statistics*.

Assessment will determine whether it is appropriate for the statistics to be designated as National Statistics.

Designation as National Statistics means that the statistics comply with the *Code of Practice*. The *Code* is wide-ranging. Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

Designation as National Statistics should not be interpreted to mean that the statistics are always correct. For example, whilst the *Code* requires statistics to be produced to a level of accuracy that meets users' needs, it also recognises that errors can occur – in which case it requires them to be corrected and publicised.

Assessment reports will not normally comment further on a set of statistics, for example on their validity as social or economic measures. However, reports may point to such questions if the Authority believes that further research would be desirable.

Assessment reports typically provide an overview of any noteworthy features of the methods used to produce the statistics, and will highlight substantial concerns about quality. Assessment reports also describe aspects of the ways in which the producer addresses the 'sound methods and assured quality' principle of the *Code*, but do not themselves constitute a review of the methods used to produce the statistics. However the *Code* requires producers to "seek to achieve continuous improvement in statistical processes by, for example, undertaking regular reviews".

The Authority may grant designation on condition that the producer body takes steps, within a stated timeframe, to fully meet the *Code's* requirements. This is to avoid public confusion and does not reduce the obligation to comply with the *Code*.

The Authority grants designation on the basis of three main sources of information:

- i. factual evidence and assurances by senior statisticians in the producer body;
- ii. the views of users who we contact, or who contact us, and;
- iii. our own review activity.

Should further information come to light subsequently which changes the Authority's analysis, it may withdraw the Assessment report and revise it as necessary.

It is a statutory requirement on the producer body to ensure that it continues to produce the set of statistics designated as National Statistics in compliance with the *Code of Practice*.

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1 Summary of findings

1.1 Introduction

1.1.1 This is one of a series of reports¹ prepared under the provisions of the *Statistics and Registration Service Act 2007*². The Act requires all statistics currently designated as National Statistics to be assessed against the *Code of Practice for Official Statistics*³. The report covers the following set of statistics produced by the Department for Work and Pensions:

- *Fraud and Error in the Benefit System (Preliminary Estimate)*⁴,
- *Fraud and Error in the Benefit System (Final Estimate)*

1.1.2 Section 3 of this report adopts an ‘exception reporting’ approach – it includes text only to support the Requirements made to strengthen compliance with the *Code* and Suggestions made to improve confidence in the production, management and dissemination of these statistics. This abbreviated style of report reflects the Head of Assessment’s consideration of aspects of risk and materiality⁵. The Assessment team nonetheless assessed compliance with all parts of the *Code of Practice* and has commented on all those in respect of which some remedial action is recommended.

1.1.3 This report was prepared by the Authority’s Assessment team, and approved by the Board of the Statistics Authority on the advice of the Head of Assessment.

1.2 Decision concerning designation as National Statistics

1.2.1 The Statistics Authority judges that the statistics covered by this report are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest, subject to any points for action in this report. The Statistics Authority confirms that the statistics published in *Fraud and Error* are designated as National Statistics, subject to DWP implementing the enhancements listed in section 1.5 and reporting them to the Authority by May 2012.

1.3 Summary of strengths and weaknesses

1.3.1 DWP engages effectively with colleagues responsible for the development of benefit policy through its Fraud and Error Council, and has a good understanding of the use made of these statistics by the Council and by the National Audit Office (NAO). Knowledge of the wider use of these statistics is less developed.

¹ <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

² http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf

³ <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>

⁴ http://statistics.dwp.gov.uk/asd/asd2/index.php?page=fraud_error

⁵ <http://www.statisticsauthority.gov.uk/assessment/assessment/guidance-about-assessment/criteria-for-deciding-upon-the-format-of-an-assessment-report.pdf>

1.3.2 DWP has published detailed technical reports which provide users with helpful information about the impact of previous methodological decisions on the statistics, and sources of error or bias. There is scope to improve the accessibility of this information by making the documents more visible on DWP's website, and by reviewing the terminology and language used.

1.4 Detailed recommendations

1.4.1 The Assessment team identified some areas where it felt that DWP could strengthen its compliance with the *Code*. Those which the Assessment team considers essential to enable designation as National Statistics are listed in section 1.5. Other suggestions, which would improve the statistics and the service provided to users but which are not formally required for their designation, are listed at annex 1.

1.5 Requirements for designation as National Statistics

Requirement 1	Take steps to develop a greater understanding of the use made of the statistics, publish the relevant information and assumptions and use them to better support the use of the statistics (para 3.1).
Requirement 2	Review the methods employed to produce the fraud and error statistics, and further explain the quality and reliability of the statistics in relation to the range of potential uses, with specific reference to the high variance associated with the estimates (para 3.4).
Requirement 3	Publish more information about the changes to the way benefit data are quality audited (para 3.5).
Requirement 4	Provide links, or other appropriate signposting to equivalent statistics for Northern Ireland and publish information about any differences and the reasons for the differences (para 3.6).
Requirement 5	Improve the commentary in the <i>Fraud and Error</i> releases so that it aids user interpretation of the statistics, and include information about the quality and reliability of the statistics in relation to the range of potential uses (para 3.7).

2 Subject of the assessment

- 2.1 In 2010/11, expenditure on benefit in GB accounted for around £154 billion; DWP estimates that around 2.1 per cent of this was paid incorrectly⁶. DWP measures the extent of fraud and error in the benefit system through a range of face-to-face surveys. Statistics on fraud and error are used by government to develop policies aimed at improving the level of efficiency in the benefit system. As part of this, DWP published its long term *Business Plan*⁷ in May 2011 with an action to reduce the level of incorrect payments to 1.7 per cent of the total budget for benefit by 2015.
- 2.2 *Fraud and Error in the Benefit System: Preliminary Estimates and Fraud and Error: Estimates (referred to in this report collectively as Fraud and Error)* are published in the spring and autumn respectively and present information about the monetary value of incorrect payments made to claimants in GB. The first release is around June each year and provides a preliminary estimate of fraud and error in the benefit system in the previous financial year; the second - released around November – provides a final estimate.
- 2.3 DWP started measuring fraud and error in the benefit system in 1997. It began as a series of national surveys that were conducted at a certain point in time each year, and the coverage has gradually been extended to focus on the key ‘at risk’ benefits such as Income Support, Jobseeker’s Allowance, Pension Credit and Housing Benefit. In 2005/06, DWP started to focus on these key benefits on a continuous basis throughout the year in order to increase sample coverage and improve the quality of the statistics produced. The survey was extended to include Incapacity Benefit in 2008/09. Ad hoc reviews of other benefits have been undertaken using the same approach so that, over time, approximately 86 per cent of total benefit expenditure has been subject to measurement. The measurement survey team reviews around 35,000 benefit claims each year. Initially the data could be used to provide estimates for Government Office Regions; however due to sample redesigns to reduce costs, the statistics are now only made available for GB as a whole.
- 2.4 The statistics are used by Jobcentre Plus and the Pension Service – agencies of DWP which administer benefit claims – to monitor benefit payments and to improve their administrative processes. DWP uses the statistics to support its wider reporting, such as disclosure in their *Resource Accounts*⁸, and to improve the accuracy of decision-making on claims. The statistics support the development of strategies to address incorrect payments and DWP, together with HM Revenue & Customs (HMRC), in 2010 published a policy statement⁹ on how it will tackle fraud and error in the benefit and tax credit system. Other government departments, such as HMRC, use the statistics as a benchmark in the monitoring of fraud and error in domains such as tax credits and income

⁶ Money can be paid incorrectly in a number of ways: either as a result of fraud, when customers deliberately claim money that they are not entitled to; customer error, when claimants make genuine mistakes; or official error, due to DWP administrative mistakes

⁷ See action 1.9 of <http://www.number10.gov.uk/wp-content/uploads/DWP-Business-Plan1.pdf>

⁸ <http://www.dwp.gov.uk/publications/corporate-publications/#resourceaccounts>

⁹ <http://www.dwp.gov.uk/docs/tackling-fraud-and-error.pdf>

tax. The statistics are also required as part of the annual audit of DWP's fraud and error estimates by the National Audit Office (NAO).

- 2.5 DWP estimates the annual cost of producing these statistics is around £10 million; this includes the cost of delivering the surveys as well as publishing the final reports. DWP told us that most of these costs (£9.5 million) are incurred in the administration of the continuous surveys, such as staff costs and travel and subsistence for interviewers.

3 Assessment findings

- 3.1 DWP engages effectively with colleagues who use the fraud and error statistics for developing benefit policy through its Fraud and Error Council. The Fraud and Error Council membership is made up of senior stakeholders from within DWP. DWP has documented the uses and users of these statistics in a paper¹⁰ published on its website. The paper includes information about the uses made by DWP and external users such as the NAO and the National Fraud Authority¹¹. DWP's engagement with other users outside of government is less developed. As part of the designation as National Statistics, DWP should take steps to develop a greater understanding of the use made of the statistics, publish the relevant information and assumptions and use them to better support the use of the statistics¹² (Requirement 1). We suggest that DWP refer to the types of use put forward in the Statistics Authority's Monitoring Brief, *The Use Made of Official Statistics*¹³ when documenting use.
- 3.2 DWP has published detailed technical appendices about the methods used to compile the statistics for specific periods. The documents include useful information¹⁴ about the impact of previous methodological decisions on the statistics, and how the revised methodology addresses known sources of error and bias. The documents also discuss the limitations of the statistics. In places, the terminology used in the documents might be confusing for users from outside DWP, or non-expert users. The documents also refer to Public Service Agreement targets which are no longer used as a benchmark of performance. The documents are difficult to find on DWP's website and are not listed on the fraud and error statistic's web landing page. We suggest that DWP review the content of the technical appendices, the terminology that is used, and include clear links to them from the fraud and error statistics homepage.
- 3.3 DWP has published a *Quality Statement*¹⁵ to support the fraud and error statistics. The statement presents information about the different dimensions of quality¹⁶, and provides a useful and orderly snapshot of the aspects of quality that are pertinent to the statistics. DWP has published more detailed information about the quality of the statistics in the technical appendices. This includes in-depth discussions about the limitations of the statistics, for example possible sources of bias and error associated with the sampling process and the measurement process. Further information about the quality of the statistics, such as the presentation of confidence intervals within the charts and tables, is provided in the *Fraud and Error* releases. The releases also provide comparisons with previous estimates, such as the estimated change in the amount of benefit overpaid since the previous year.

¹⁰ http://statistics.dwp.gov.uk/asd/asd2/fem/uses_users.pdf

¹¹ <http://www.homeoffice.gov.uk/agencies-public-bodies/nfa/>

¹² In relation to Principle 1, Practice 2 of the *Code of Practice*

¹³ <http://www.statisticsauthority.gov.uk/assessment/monitoring/monitoring-briefs/monitoring-brief-6-2010---the-use-made-of-official-statistics.pdf>

¹⁴ http://statistics.dwp.gov.uk/asd/asd2/fem/fem_tec_app.pdf and http://statistics.dwp.gov.uk/asd/asd2/fem/fem_tech_app_02_08.pdf

¹⁵ http://statistics.dwp.gov.uk/asd/asd2/fem/quality_methods.pdf

¹⁶ The six dimensions of the European Statistical System Quality Framework are: relevance; accuracy; timeliness and punctuality; accessibility and clarity; comparability, and coherence

- 3.4 DWP uses scientific methods to calculate its fraud and error statistics and the margin of error associated with them. The *Fraud and Error* releases state that year-on-year changes are not statistically significant, but the large sampling errors associated with the estimates make it difficult for users to compare change over time. We consider this important in the use of monitoring fraud and error in the benefit system. Although the large sampling errors may be unavoidable, DWP does not explain the implications of the level of variance for the use of time series to monitor changes in the levels of fraud and error. As part of the designation as National Statistics, DWP should review the methods employed to produce fraud and error statistics, and further explain the quality and reliability of the statistics in relation to the range of potential uses, with specific reference to the high variance associated with the estimates¹⁷ (Requirement 2). In meeting this Requirement, we suggest that DWP consult ONS's Methodology Consultancy Service¹⁸ as appropriate.
- 3.5 DWP told us that it intends to improve the reporting of the fraud and error statistics for smaller areas in future by making use of local business data. DWP also plans to investigate the feasibility of developing local estimates of fraud and error using previous survey data and alternative DWP administrative data sources, in early 2012. However, due to resource pressures this may take some time; these pressures also play a part in the seven month lag between the end of the reporting period and the release of the results. *Fraud and Error 2010 Preliminary Estimates* was also subject to some further delay which resulted in two separate releases being published. DWP notified users of these delays on its website; key stakeholders were also contacted directly. The delays were due to a combination of issues identified through regular quality assurance of its Housing Benefit data, and resource constraints. DWP told us that it has carried out a thorough review of its Housing Benefit estimates and has improved the methods used to produce these statistics. DWP also confirmed that it has the necessary resource to produce these statistics to the standards of the *Code*. DWP announced¹⁹ in October 2011 that it will postpone the release of the final Fraud and Error estimates, usually scheduled for November 2011, until February 2012. DWP has said that this will allow it to conduct vital development work on the validation and processing of the fraud and error data. We were told that the developments are designed to make future processing quicker and improve the quality assurance of the data. As part of the designation as National Statistics, DWP should publish more information about the changes to the way benefit data are quality audited²⁰ (Requirement 3).
- 3.6 *Fraud and Error* provide estimates of incorrect payments in GB. DWP does not provide any information about where to find equivalent statistics for Northern Ireland. As part of the designation as National Statistics, DWP should provide links, or other appropriate signposting to equivalent statistics for Northern Ireland and publish information about any differences and the reasons for the differences²¹ (Requirement 4).

¹⁷ In relation to Principle 4, Practices 1 and 2 of the *Code of Practice*

¹⁸ <http://www.ons.gov.uk/ons/guide-method/method-quality/methodology-consultancy-service/index.html>

¹⁹ <http://statistics.dwp.gov.uk/asd/index.php?page=news#postpub>

²⁰ In relation to Principle 4, Practices 3 and 4 of the *Code of Practice*

²¹ In relation to Principle 4, Practice 6 and Principle 8 Practice 1 of the *Code of Practice*

3.7 *Fraud and Error* release present statistics in tables and graphs, and provides users with useful information about the data sources to aid interpretation. For example, DWP has added notes to the tables and charts to highlight where methodological changes have been made. However, there is scope to improve the commentary presented alongside the statistics so that it includes a discussion of the main messages and trends, and identifies any relevant contextual issues. The *Fraud and Error* releases discuss the limitations of the statistics, including the influence of sampling error on the accuracy of the estimates, and fraudulent claims that DWP's measurement technique is unable to detect (such as unreported earnings in the informal economy). There is scope to provide more information about how these limitations impact on the expected use of the statistics. As part of the designation as National Statistics, DWP should improve the commentary in the *Fraud and Error* releases so that it aids user interpretation of the statistics, and include information about the quality and reliability of the statistics in relation to the range of potential uses²² (Requirement 5). We suggest that in meeting this Requirement DWP should consider the points detailed in annex 2.

²² In relation to Principle 8, Practices 1 and 2 of the *Code of Practice*

Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to DWP's fraud and error statistics, in the interest of the public good. These are not formally required for designation, but the Assessment team considers that their implementation will improve public confidence in the production, management and dissemination of official statistics.

- | | |
|---------------------|---|
| Suggestion 1 | Refer to the types of use put forward in the Statistics Authority's Monitoring Brief, <i>The Use Made of Official Statistics</i> , when documenting use (para 3.1). |
| Suggestion 2 | Review the content of the technical appendices, the terminology that is used and include clear links to them from the Fraud and Error statistics homepage (para 3.2). |
| Suggestion 3 | Consult with ONS's Methodology Consultancy Service, in reviewing the methods used to produce the fraud and error estimates, as appropriate (para 3.4). |
| Suggestion 4 | Consider the points detailed in annex 2, in seeking to improve the statistical releases (para 3.7). |

Annex 2: Compliance with Standards for Statistical Releases

A2.1 In October 2010, the Statistics Authority issued a statement on *Standards for Statistical Releases*²³. Whilst this is not part of the *Code of Practice for Official Statistics*, the Authority regards it as advice that will promote both understanding and compliance with the *Code*. In relation to the statistical releases associated with Fraud and Error statistics, this annex comments on compliance with the statement on standards.

A2.2 In implementing any Requirements of this report (at paragraph 1.5) which relate to the content of statistical releases, we encourage the producer body to apply the standards as fully as possible.

Appropriate identification of the statistics being released

A2.3 The titles of the *Fraud and Error* releases describe the time period to which the statistics relate, but not the geographic coverage. The National Statistics logo is clearly displayed and the releases include the name and contact details of the responsible statistician. The frequency of the releases is not specifically stated, but it is implied within the text. It is clear which statistics are new. The releases include a contents page which lists what is included in the release; there is also a short section on the report structure which provides a brief description of each chapter.

Include commentary that is helpful to the non-expert and presents the main messages in plain English

A2.4 The releases include an Executive summary which presents the headline results and key findings.

A2.5 The releases present the statistics in tables and graphs alongside notes which provide users with relevant information – for example, highlighting where methodological changes were made, and the impact on the statistics. The commentary does not include either a discussion of the key messages and trends or draw out relevant contextual issues, for example by identifying influences which might be driving the observed changes. The year-on-year changes are reported as not being statistically significant; however, DWP do not include any further information in the releases about what this means for users.

Use language that is impartial, objective and professionally sound

A2.6 The text in the releases is impartial and the statements that are made about the statistics are professionally sound.

²³ <http://www.statisticsauthority.gov.uk/news/standards-for-statistical-releases.html>

Include information about the context and likely uses

A2.7 The releases do not include a discussion of the uses of the statistics; however this information is available in a separate document. The releases could be improved by including some details about the main uses of the statistics, and a link to the existing document which provides further details about users. The releases would be improved by including additional contextual information about the benefit system and the specific types of benefit included within the release.

Include, or link to, appropriate metadata

A2.8 The releases include some information about methods and describe recent methodological changes, including the reasons for the changes and the impact on the statistics. There is scope to provide more detailed information about the data sources and the way that the statistics are compiled – such as defining the proxy measures for un-reviewed benefit – or to provide links to where this information can be found.

A2.9 The releases include a useful section on the interpretation of the statistics which identifies a range of sources of error and bias. This could be improved by commenting on the strengths and weaknesses of the statistics in relation to their potential uses. More detailed information about the quality of the statistics and their limitations is available in a separate quality statement and in the separate technical appendices.

Annex 3: Summary of assessment process and users' views

A3.1 This assessment was conducted from August to November 2011.

A3.2 The Assessment team – David Duncan-Fraser and Ruth James – agreed the scope of and timetable for this assessment with representatives of DWP in August. The Written Evidence for Assessment was provided on 25 August. The Assessment team subsequently met DWP during November to review compliance with the *Code of Practice*, taking account of the written evidence provided and other relevant sources of evidence.

Summary of users contacted, and issues raised

A3.3 Part of the assessment process involves our consideration of the views of users. We approach some known and potential users of the set of statistics, and we invite comments via an open note on the Authority's website. This process is not a statistical survey, but it enables us to gain some insights about the extent to which the statistics meet users' needs and the extent to which users feel that the producers of those statistics engage with them. We are aware that responses from users may not be representative of wider views, and we take account of this in the way that we prepare assessment reports.

A3.4 The Assessment team received 7 responses from the user consultation. The respondents were grouped as follows:

DWP (including one data supplier)	4
National Audit Office	1
Jobcentre Plus	1
HMRC	1

A3.5 Users were generally satisfied that the quality of the statistics meet their needs. Several users identified timeliness as an issue, however one said that this was due to specific factors causing a delay with the most recent release, and timeliness had never been an issue before. One DWP user said that in order to achieve efficiency cuts it had been necessary to redesign the sample structure, which has introduced some compromise to the overall sample design. Several users said that the statistical team engages well them on an ad hoc basis but they were not aware of any formal consultations. Several users said that the statistical team's level of engagement had significantly improved over time. Users suggested the statistics could be improved by:

- updating the rationale for the types of benefit that are included;
- providing more frequent, up to date information for the full range of benefits; and
- providing more commentary on trends in individual risk factors (eg undeclared partners), currently the analysis is done on a benefit by benefit basis.

Key documents/links provided

Written Evidence for Assessment document

