



**Fraud and Error in Income Support, Jobseeker's
Allowance and Pension Credit from
October 2004 to September 2005**

DWP Department for
Work and Pensions

INFORMATION DIRECTORATE

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Contents

Section 1	Introduction	1
	Reporting schedule	1
	Structure of the report	1
Section 2	Sampling and review methodology	2
Section 3	Discussion	2
	Estimates are subject to change	2
	Assessing changes over time	3
	The current assessment of change over time	3
Figure 1	– National results for estimates	5

Section 1 Introduction

- 1.1 This report presents estimates of overpayments due to fraud and error in Income Support (IS), Jobseeker's Allowance (JSA) and Pension Credit benefit payments for the 12 month period October 2004 to September 2005. In doing so, it also provides information on progress against the following Departmental targets on fraud and error:
- Public Service Agreement (PSA) target: to reduce the level of fraud and error in IS and JSA by 50% by March 2006 from a baseline period of October 1997 to September 1998.
 - Service Delivery Agreement (SDA) target: to reduce the level of fraud and error in Pension Credit by 20% by March 2006 from a baseline period of April 2001 to March 2002.
- 1.2 These estimates are subject to change and may be updated when the full report is published early next year. There is a small risk that figures and conclusions included in this report may change significantly. Further details are given on this in section 3 below.

Reporting schedule

- 1.3 Rolling annual estimates of the level of fraud and error are updated and published in respect of each new six months of data. The last set of results published covered the period April 2004 to March 2005.
- 1.4 The Spending Review announced a new PSA target for IS and JSA fraud and error to take effect from April 2005. The target is a 15% reduction by March 2010.
- 1.5 The ending of the current set of targets and starting of a new target in 2005/06 presented the opportunity to introduce methodology and process improvements. Measurement on both the old and new bases took place in April 2005 to March 2006 and the intention is to publish a report providing estimates covering this period in early 2007.

Structure of the report

- 1.6 Section 2 gives a brief overview of the sampling and case review methodology used.
- 1.7 Section 3 presents a discussion of the headline results and uncertainty in the estimates including: data quality concerns which may lead to subsequent revisions of estimates in the report; description of a project underway to assess changes over time in measurement methodology and processes; and the current assessment of change over time and performance against targets.

Section 2 Sampling and review methodology

- 2.1 The results are derived from the analysis of data collected in a survey exercise of IS, JSA and Pension Credit claims, so they are subject to statistical uncertainties, resulting both from the use of sampling and from imperfections in the design and operation of the review processes.
- 2.2 The sampling uncertainties have been quantified and presented via 95% confidence intervals for each estimate. This is the range of values within which we would be 95% certain that the actual amount of fraud and error in the caseload lies if no other sources of uncertainty existed. The existence of the other non-sampling uncertainties means that the 'true' confidence interval will be wider than this.¹

Section 3 Discussion

Headline estimates

- 3.1 Figure 1 at the end of the report presents the estimates for the latest 12 month period. Figures and conclusions of this report may be revised when the full report is published early next year, as discussed below. There is a small risk that figures and conclusions in this report may change significantly.

Estimates are subject to change

- 3.2 As outlined in paragraph 1.5 above, methodology and process improvements were introduced in measurement of the 2005/06 financial year, including the last six months of the period reported on in this report. The new processes allowed data to be collected on the old basis as well to allow consistency and comparison with previous results.
- 3.3 The introduction of these new processes led to concerns with the quality of the data collected. Work is being undertaken to better understand the impact of these concerns on estimates produced from the system. We have concluded from investigation so far that results on the old basis are likely to be less affected than those from the new basis.
- 3.4 The work is planned to be completed in time for us to fully consider the impact on estimates produced under the old basis before the next report in early 2007. This analysis may suggest that the figures in this report may be over- or under-estimating the true level of fraud and error. The estimates published in this report are therefore subject to change in the next report.

¹ Further details on the methodology can be found in Annex 3 of the earlier report in this series, "Fraud and error in Income Support, Jobseeker's Allowance and Pension Credit from April 2004 to March 2005: Full report"

Assessing changes over time

- 3.5 It is important to have as consistent a measure as possible in order to make a fair assessment of change over time. Experience with these exercises has shown that this is difficult to achieve in practice, especially with a methodology that has been in operation for nine years whilst the benefits themselves have undergone large change in their design and delivery.
- 3.6 Given that estimates of change over time are used to assess Departmental targets (as set out in section 1 of this report), we need to be as definite as we can about the impacts of various changes in methodology and process over time. We are accordingly working on systematically assessing changes in the methodology and process over the period of the PSA target with the aim of providing the most definite assessment we can.
- 3.7 The paragraphs below outline our current approach to assessing changes over time. Following completion of further work, and in discussions with the National Audit Office (NAO), a different approach may be used which could lead to a different conclusion on performance against targets. We will discuss this further in the next report.

The current assessment of change over time

- 3.8 Estimates of change in the levels of fraud and error over time, and so of performance against targets, are based on the comparison of the estimates for different years, and in particular comparison against the results for the baseline years.
- 3.9 The approach used in the most recent reports in this series has been to:
- Base the estimates of change over time on the comparison of estimates *before* the data quality adjustment has been applied²
 - Adjust the estimate of change over time to ‘discount’ those effects due to methodology changes that can be estimated.
 - Assume that the effect of the other factors is nil or negligible.

Measurement for the PSA target

- 3.10 For this period the estimate of the amount of benefit overpaid due to fraud and error on Income Support and Jobseeker’s Allowance before the data quality adjustment is applied is 4.9% of the total benefit paid.

² Further details on the data quality adjustment can be found in Annex 5 of the earlier report in this series, “Fraud and error in Income Support, Jobseeker’s Allowance and Pension Credit from April 2004 to March 2005: Full report”

- 3.11 For the baseline period October 1997 to September 1998 the amount of benefit overpaid on IS and JSA was estimated to be 10.4% of the total benefit paid. The unadjusted estimate for the latest period is therefore 53% below the baseline estimate.
- 3.12 We estimate that one percentage point of this 53% reduction is due to a methodology change regarding Jobseeker's Agreements, and that four percentage points of the reduction are due to the effect of changes in the methodology related to the checking process for causal link fraud cases.³
- 3.13 Therefore, after discounting the impact of these methodology changes, a better estimate of the reduction in fraud and error arising from a real decrease in the amount of fraud and error since the baseline is **48%**.
- 3.14 Quantifying the full uncertainty affecting this estimate of change over time is difficult. A current rough estimate of the 'true' 95% confidence interval surrounding this estimate when all sources of uncertainty are taken into account is around plus or minus 10 percentage points (i.e. from 38% to 58%). This will be reviewed as part of the further work.

Measurement for the SDA target

- 3.15 For this period the estimate of the amount of benefit overpaid due to fraud and error on Pension Credit before the data quality adjustment is applied is 4.7% of the total benefit paid.
- 3.16 The baseline figure, defined as the overpayment on Minimum Income Guarantee (MIG) from April 2001 to March 2002, was estimated to be 4.6% of the total benefit paid. Therefore our best estimate of the difference in our estimates arising from a real change in the amount of fraud and error is given by the increase from 4.6% to 4.7%. This implies an estimated **2% increase** in fraud and error, but provides no clear evidence of significant change in the level of Pension Credit since 2001/02.
- 3.17 Quantifying the full uncertainty affecting this estimate of change over time is difficult. However, a current rough estimate of the 'true' 95% confidence interval surrounding this estimate when all sources of uncertainty are taken into account is of the order of around 30 percentage points above to around 25 percentage points below this estimate (i.e. from 32% increase to 23% decrease). This will be reviewed as part of the further work.
- 3.18 The uncertainties around this estimate of change over time are particularly large due to the relatively small sample size used to measure performance against this target (around a third of that used to measure performance against the PSA target).

³ Further information is given on these adjustments in chapter 5 and annex 5 of the earlier report in this series, "Fraud and error in Income Support, Jobseeker's Allowance and Pension Credit from April 2004 to March 2005: Full report"

Figure 1 – National results for estimates of IS, JSA and Pension Credit overpayments covering the period October 2004 to September 2005 inclusive

	Fraud	Customer Error	Official Error	Total
1. Working Age				
IS Disabled/Others				
% benefit overpaid	1.3% (0.9-1.8)	1.1% (0.7-1.6)	2.5% (1.8-3.3)	4.9% (4.0-5.9)
Amount overpaid	£70m (50-100)	£60m (40-90)	£140m (100-180)	£270m (220-330)
IS Lone Parents				
% benefit overpaid	3.0% (2.4-3.8)	1.1% (0.7-1.6)	1.3% (0.9-1.7)	5.4% (4.6-6.4)
Amount overpaid	£130m (100-160)	£50m (30-70)	£50m (40-70)	£230m (190-270)
IS				
% benefit overpaid	2.1% (1.7-2.5)	1.1% (0.8-1.4)	2.0% (1.5-2.5)	5.1% (4.5-5.8)
Amount overpaid	£200m (170-240)	£110m (80-140)	£190m (150-240)	£500m (440-570)
JSA				
% benefit overpaid	1.9% (1.3-2.8)	1.4% (0.7-2.3)	2.0% (1.3-2.7)	5.3% (4.1-6.7)
Amount overpaid	£40m (30-60)	£30m (20-50)	£40m (30-60)	£120m (90-150)
IS & JSA				
% benefit overpaid	2.0% (1.7-2.4)	1.1% (0.9-1.5)	2.0% (1.6-2.4)	5.1% (4.6-5.8)
Amount overpaid	£250m (210-290)	£140m (100-180)	£230m (190-290)	£620m (550-690)
2. Pensioners				
Pension Credit				
% benefit overpaid	1.0% (0.7-1.4)	1.4% (1.0-2.0)	2.6% (2.1-3.1)	5.0% (4.2-5.8)
Amount overpaid	£60m (40-90)	£90m (60-130)	£160m (130-200)	£320m (270-370)
3. Combined				
IS, JSA & Pension Credit				
% benefit overpaid	1.7% (1.4-2.0)	1.2% (1.0-1.5)	2.2% (1.9-2.5)	5.1% (4.6-5.6)
Amount overpaid	£310m (260-360)	£230m (180-280)	£400m (340-460)	£930m (850-1020)

Note:

1. These estimates are subject to change and may be updated in future reports in this series. Further information is given in section 3 of this report.
2. Figures have been calculated to more decimal places than shown and have been rounded for presentational purposes. This means that where a breakdown of a total is given the rounded parts may not sum to the rounded total.
3. The 95% confidence intervals (see paragraph 2.2) are shown in brackets after the central estimates in the tables.
4. These figures have been adjusted for data quality problems. See Annex 5 of the earlier report in this series, "Fraud and error in Income Support, Jobseeker's Allowance and Pension Credit: full report" for further information.