

Protecting Social Welfare Systems from Fraud and Error

Capgemini works with welfare agencies to implement flexible approaches to tackling fraud, supported by cutting-edge business intelligence solutions.



People matter, results count.



A Contemporary Issue

The Struggle Against Fraud

A social issue in the spotlight

Welfare fraud is common to all developed countries and costs governments billions. Preventing welfare fraud has therefore become essential in order to protect tax payers and citizens who really need benefits.

The objective of most governments around the world is to reduce the welfare gap by 30% every year. But although anti-fraud cells exist in most public sector organizations, control methods and detection strategies are not optimally structured to tackle evolving practices of fraud, and achieve only limited success. Accurate figures on the sums lost to welfare fraud are naturally difficult to obtain.

French Minister for Work, Employment and Health Xavier Bertrand reported that €458m of welfare fraud was detected in France in 2010, twice as much as in 2006¹. British Prime Minister David Cameron stated that ‘Welfare and tax credit fraud and error costs the taxpayer £5.2 billion a year’ in 2010, though administrative error accounts for a large proportion of this at £1.6bn². Most fraud occurs when claimants withhold information, or provide misleading or inaccurate data about their status and income to government agencies. Demonization of benefit fraudsters by the media and politicians can obscure the fact that they account only for a very small

proportion of total welfare recipients, and that some who overclaim do so through genuine need. Nonetheless, welfare fraud represents a cost which many governments forced to reduce public spending and deficits cannot afford.

¹ <http://www.budget.gouv.fr/files/bilan-dnlf-2010.pdf>

² <http://www.number10.gov.uk/news/pm%e2%80%99s-article-for-manchester-news/>, Published 10th August 2010.



Root Causes of Fraud and Error

Segmentation of the Social Welfare Domain

How to strengthen the system's defenses?

Multiple agencies – responsible for social insurance, family allowances, healthcare protection or pensions – have their own operating models and use different processes to allocate the right resources to the right recipients.

Fraudsters often exploit the boundaries and lack of information sharing between these organizations. Australia's social security agency Centrelink uncovered and reversed fraudulent payments totaling \$112.5m in 2008-9 through matching data on claimants across government agencies to identify inconsistencies in data about incomes, payments and personal identities.³

Although success in tackling welfare fraud and error varies between countries, certain barriers are common to many administrations. A disjointed approach by central government to managing welfare provision across multiple agencies, and at a local level, makes the system easier to exploit. The technology solutions, training and resources required to tackle fraud are often weak. Cultural factors also impose constraints, as in many countries staff motivated by an ethic of public service may feel reluctant to place the legitimacy of

welfare claims under scrutiny.

The fraud typology adds further complexity to the anti-fraud struggle: It can either be accidental or intentional. The gravity of offences usually depends on the fraudster's profile and network, with professional fraudsters taking most from the system. Individuals can deliberately omit to report income but fraud can also be due to errors, especially administrative errors within the social welfare organization itself or submission of false information without the declaring individual being aware.

³ <http://www.aic.gov.au/publications/current%20series/tandi/401-420/tandi418.aspx>



Our Offer to Social Welfare Agencies

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Prevention and Cure

In order to tackle the fraud problem, governments need to adopt a targeted and holistic approach which combines cure and prevention.

On one hand, the cure has a quick impact and removes fraudsters who are already in the system. On the other, prevention is less costly and ensures a progressive reduction of the welfare gap. Technology combined with continuously improving business processes can provide solutions to detect fraud and act on both prevention and cure. It can evolve constantly to fight fraudsters who are increasingly skilful and well-informed. A holistic approach at a national level

allows inter-agency cooperation to prevent fraudsters caught in one particular region operating in another.

Successful management of fraud depends on effective gathering and analysis of data. We have worked with social welfare agencies to put in place fraud detection systems and processes based on four stages of activity:

- **Accumulating data on claimants.** This can often be migrated from the systems of multiple agencies into a central repository which enables business analysis. Other sources of data can include bank statements, mobile

surveillance and social network analysis.

- **Detecting inconsistencies.** Analysis often reveals claimants who present different sets of information about their circumstances or identities to different parties, possibly in order to commit fraud. This demands cross-detection among different sources of data. This analysis usually reveals administrative errors which can then be rectified.
- **Targeting.** As the human resources available to investigate cases are necessarily limited, agencies must weigh

up the likely cost of an intervention against the probable value of the fraud in order to maximize results. Using estimates, we develop a business case for intervening in each possible instance of fraud.

- **Intervention**, with the aim of investigating the claim, recovering any money lost to fraud and prosecuting those responsible.

At the same time, upstream measures should be built around multiple independent defences against fraud, including identity management, risk profiling, watchlists, and advanced business and transaction

rules. Social welfare organizations need processes which make it easy for citizens to understand their obligations and comply with the rules, and difficult for them not to. Above all, systems must be flexible enough to allow prevention and detection strategies and business rules to change regularly, so that agencies are not outmaneuvered by the constantly evolving tactics of the fraudsters. This kind of flexible approach allows governments to tackle the roots of the problem and significantly reduce the cost of welfare fraud; it is what we define as a mature anti-fraud protection system.



Capgemini's Unique Solutions

Capgemini Develops Unique Solutions for Welfare Agencies at Different Levels of Maturity.

Capgemini has experience in providing government agencies with business information, data management analysis and anti-fraud intelligence system integration.

We have applied a combination of consulting and technology expertise to transformational projects with social welfare agencies in the US, France, Norway, Germany, the UK and Netherlands. We have a proven ability to run projects which deliver a rapid return on investment, and operate with an ecosystem of partners well-placed to provide the business analytics software products required as part of a fraud management solution.

Our offer to social welfare agencies typically consists of:

- **Fraud and Error Assessment** – A three to six-week assessment of existing technology and processes for fraud detection and prevention to identify the key areas for improvement, and what the priorities are.
- **Solution Design** – A design phase of approximately three months to produce the blueprint for a holistic fraud management approach, underpinned by best of breed technology. This is often

combined with a small pilot initiative to trial the solution and demonstrate its value to stakeholders.

- **Solution Implementation** – A larger proof of value with a broader scope, followed by the design and build of a full-scale fraud management system with options for fraud management as an IT managed service or as Business Process Outsourcing.

Three distinctive elements of our approach are:

- **Collaboration with Social Welfare Department** directors and leaders to define business priorities for anti-fraud and error protection. This allows a program to achieve rapid RoI by tackling the easiest cases first, and strengthening compliance to reduce errors.
- **A strategic approach** to targeting specific, high-risk segments which offer the strongest business case for the administration to intervene.
- **Implementation** of a medium to long-term fraud and error prevention solution which works in tandem with the business intelligence analytical system.

Capgemini offers demonstrations and discussions tailored to the unique environment of each organization.

For more information or to request a meeting please contact:
publicsector.global@capgemini.com

Contact our experts:

Ian Pretty

ian.pretty@capgemini.com

Alexandre Negadi

alexandre.negadi@capgemini.com

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About Capgemini

With more than 120,000 people in 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2011 global revenues of EUR 9.7 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply

multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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