

# Taking the sting out of public sector cuts by stopping fraud and error

The UK public sector has an opportunity to offset the worst effects of budget cuts by tackling billions of pounds of fraud and error with proven, innovative approaches

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“The austerity measures sweeping through the UK’s public sector present a challenging paradox to departments and authorities at all levels of government: the only way cuts will be successfully implemented without severely downgrading services is by doing “better for less”. Automation, outsourcing, shared services and other efficiency approaches will all play their part, but two other areas are highlighted by politicians as untapped sources of cost-reduction – fraud and error. For welfare payments alone, these are estimated to be costing the UK taxpayer upwards of £5 billion a year.

In the past, benefits claims have been paid without the time or facility for sufficient upfront checking for erroneous or, indeed, fraudulent claims. Once in the system, fraud and error are much more difficult to eradicate. The approach of identifying anomalies and suspicious patterns by trawling through multiple databases of claims in payment has had only partial success. Not only has it proven slow and expensive, but

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many people are uncomfortable with the implications for civil liberties. Increasing the complexity of the claims process for benefits and tax is not a workable solution, either. Making claimants jump through ever more tricky hoops to receive their entitlements is likely to result in large numbers of genuine claimants being disenfranchised, as well as introducing more potential for error.

As a key supplier to government, Fujitsu is well aware of the sensitivities involved here; it is also an area where

we have built considerable expertise. Our experience has convinced us that the sector can make substantial inroads into reducing fraud and error in a way that not only overcomes the difficulties outlined above, but does so quickly and at a manageable cost, while actually improving the speed and efficiency of services for claimants along with job satisfaction for staff. And the potential savings are compelling – we estimate that if implemented in the right way, systems to cut fraud and error could save £10 billion across government within four years.

## Early warning system

That estimate is based on our experience of devising, implementing and managing just such a fraud and error reduction service for one large government department. Essentially, the system operates as a fraud and error screen (not unlike an anti-virus guard on a computer) to identify the likelihood that any claim is erroneous or fraudulent before it is progressed. Previously, claimants who made genuine errors often found these were not discovered until after the claim was paid. This meant they suddenly faced an unexpected demand to return overpaid benefits. That often proved far more problematic to deal with than if the claim had been refused or reduced at the outset.

The fraud screen approach doesn’t make a decision as to whether a particular claim is good or bad. Instead it calculates the probability of any claim being fraudulent or erroneous. This has the twin advantages of allowing staff to prioritise the effort they put into validating particular claims, and of speeding up the payment process for the majority of genuine claimants (as those flagged up as low risk can be pushed through far more quickly).

### Dispelling the myths

Commentators on the subject of fraud and error often suggest that it is necessary to create a single view of the citizen, linking together multiple databases. Our evidence shows this is not true. Our approach, in contrast, significantly reduces the speed of implementation and, with fraud and error costing the UK taxpayer around £100 million each week, this is very good news.

The process of bolting these checks on to an organisation's existing data-entry processes can be both straightforward and rapid – in the case of the government department cited above, it took just two weeks. And within another two weeks the scheme had uncovered enough fraud and error to pay for itself for a year.

The second popular myth dispelled is that it is necessary to define common rules for specific areas of fraud, such as identity fraud, for example. Gathering the right intelligence to synthesise a set of rules, test them and

**"Within a matter of weeks the scheme used by one government department uncovered enough fraud and error to pay for itself for a year"**

implement them within an IT system or even a manual one takes time – time in which the fraudsters have already moved on and found a better way. A system that recognises shifts in behaviour and adapts itself over time has proven much more effective.

### Not just about computers

An effective fraud and error screening service is not just about clever software. The staff operating the service are the critical component. At the government department concerned, claims processing staff have seen their roles become much more rewarding as they now have the opportunity to actively detect fraud and error before it progresses towards payment. They are able to add real value, by both stopping fraud and helping genuine

claimants by reducing the number of errors made. In addition, the approach is transferable to other departments and applications – irrespective of whether benefits are financial or social. For example, local authorities could use the service to reduce abuse of the Blue Badge disabled parking scheme, where fraudulent applications are estimated to be rife.

### Rewards for results

Of course, even as we are seeking to innovate, the new government is also looking to innovate with suppliers under new contract models. We believe that in the current budgetary climate, any proposed system requiring a huge up-front outlay is a non-starter. Spend-to-save has gone and we are now in the era of save-to-spend. That's why we're developing our Fraud Screen Service on the basis of zero up-front cost to customers.

But it's also clear that to ensure suppliers in this area are focused on refining the accuracy of detection, it makes sense to encourage them to do so. The government seems to agree. "We will employ private sector firms to ensure the full adoption of cutting-edge fraud prevention techniques and where appropriate we will pay the private sector by results," wrote Minister for Welfare Reform, Lord Freud, and Treasury Secretary, David Gauke, in a government positioning paper on tackling fraud and error in the benefits system, published in October 2010.

We believe there's a huge opportunity here to make radical reductions in fraud and error across the sector and one that – in this climate of austerity – should not be missed. Through partnerships with private sector suppliers such as Fujitsu – which have an intimate understanding not only of the necessary technology and processes but also of government strategy and operations – the situation can be quickly addressed.

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### What next?

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