Control of fraud and inaccurate payment

12th ASSA Board Meeting

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4 – 7 August 2

Centrelink in Profile

The Commonwealth Service Delivery Agency

- 6.4 million customers
- Administers 140 different products
- Delivers services for 25 government agencie[s]
- Distributes over $55 billion in income support payments
- Over 27,000 staff
- 430 customer service outlets

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Background

- Social Security system targets payments to citizens in most need

- Ensure only citizens who are entitled, receive payments

- Risks to outlays arise because our Social Security legislation is highly targeted and relies on customers disclosing information about personal and financial circumstances

- Unreported changes in circumstances can easily lead to incorrect payment, even if no deliberate fraud is intended

Inaccurate Payment
can occur through

- Fraud (eg false identifications, deliberate failure to notify of changes, etc)

- Citizen error – inadvertent omission

- Administrative error

Key Risks

- Large geographically dispersed customer population
- Complex system of income, assets and activity tests
- Potential for inconsistency in decisions between offices
- No national identity system
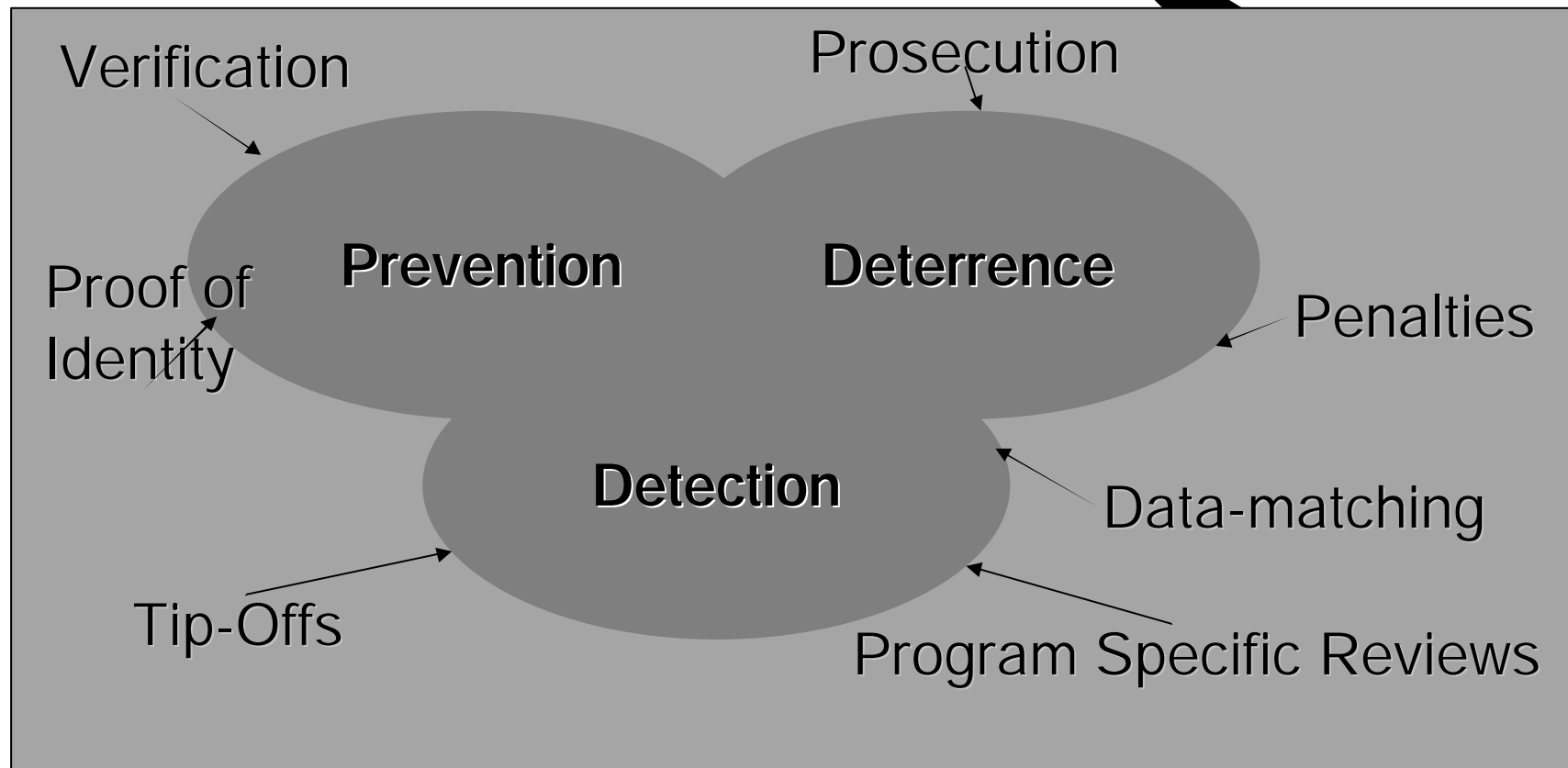- No contributions record required

Control of Fraud & Inaccurate Payment

- Fraud against social security is defined as dishonest conduct to obtain benefit from the Government
- All Government agencies are required to produce a Fraud Control Plan for the coordination and planning of fraud control activities
- There is a comprehensive legal framework with obligations on citizens and penalties for non-compliance
- Administrative processes to ensure Quality Control

Key Elements Supporting the Compliance Framework

- Significant investment in the use of I deliver systems

- Increased liaison and cooperation between agencies at all levels of government and the private sector

- Strong Government and Ministerial support

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Introduction to the Compliance Framework

Verification

Prosecution

Prevention

Deterrence

Proof of
Identity

Penalties

Detection

Data-matching

Tip-Offs

Program Specific Reviews

Three Compliance Themes

- Prevention – systems and procedures to minimise the risk of incorrect payments

- Detection – to detect incorrect payments early as possible

- Deterrence – to create community knowledge of the risks and penalties

Prevention

- Effective control measures including
  - Appropriate claim forms
  - Proof of identity including integrity of docume
  - Verification of key facts
  - Profiling of customers based on risk characteristics
  - Automated overnight checking of key information fo new claims, in particular, identity fraud by citizens an fraud by employees

Detection

- Selecting customers on the basis of risk, usually through the use of extensive data-matching with key government agencies e.g. Tax, Health, Immigration

- Joint exercises with other government agencies targeting the cash economy in high risk industries e.g. building, harvesting

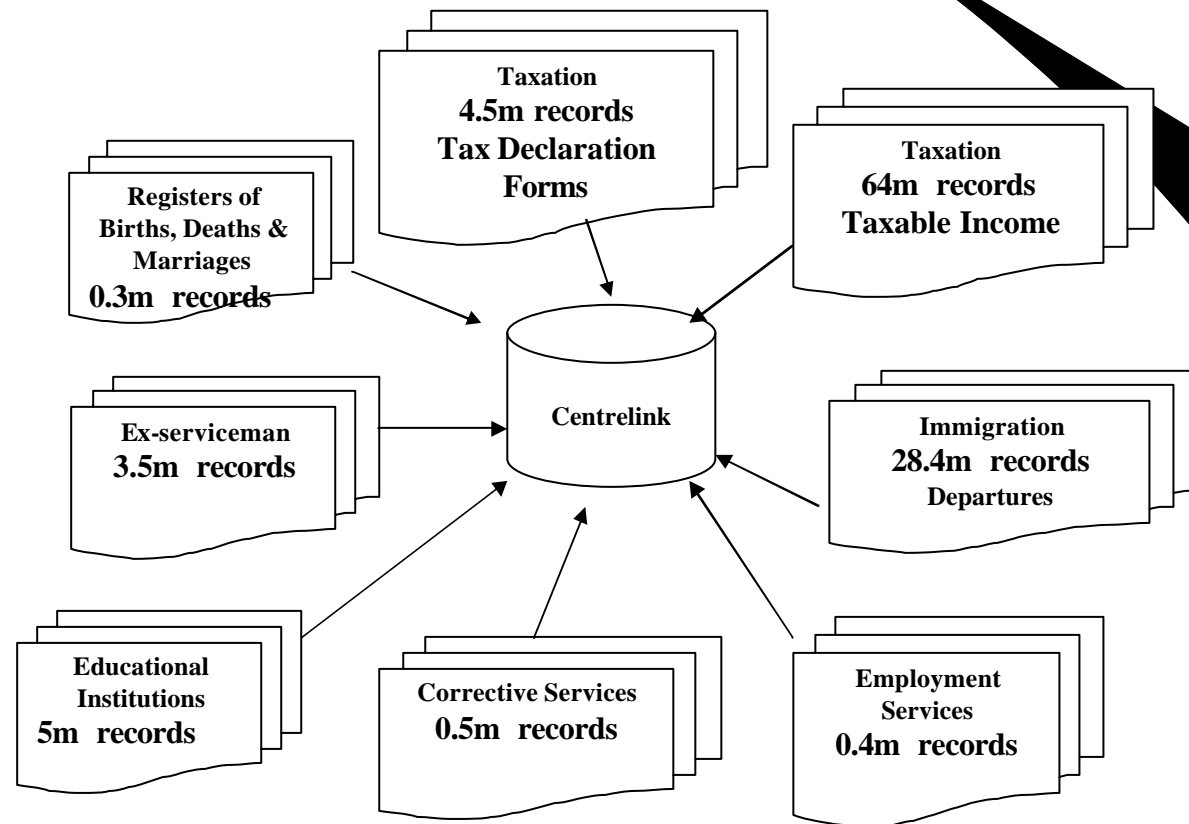- Investigating information from the public or other agencies

Deterrence

- Effective and visible 'up front' systems and processes
- Use of administrative penalties
- Efficient debt recovery processes
- Decisive prosecutions program
- Comprehensive communication strategy through the media and key community groups

Review triggers

- External data-matching
- Internal data-matching
- Community tip-offs
- Profiling
- Data analysis
- Interagency liaison
- Local initiatives
- Staff observation

External Data-matching
Input data per year

Taxation
4.5m records
Tax Declaration
Forms

Taxation
64m records
Taxable Income

Registers of
Births, Deaths &
Marriages
0.3m records

Ex-serviceman
3.5m records

Centrelink

Immigration
28.4m records
Departures

Educational
Institutions
5m records

Corrective Services
0.5m records

Employment
Services
0.4m records

Data-matching processing

- Uses Relational Databases & Mainframe platforms
- Uses in-house software(includes fuzzy ma   )
- 110 million records processed per year
- 1.8 million selections (discrepancies) generated
- Cases distributed, managed and results reported through a national computerised review system

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Data-matching Issues

- Data quality
- Timely data acquisition
- Standardisation and validation of data
- Privacy & security safeguards
- Legislative authority
- Transfer and receipt of data
- Volume of data
- Hardware and processing capacity

Fraud Risk Map

- Visual representation of fraud ri ks and controls

- Analysis tool to aid in control of 24 fr risk areas

- Key element in fraud control planning process

- Used to identify areas of control weakness

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Compliance Activity 2002-03

- 4.0 million entitlement reviews conducted
  - 0.9 million compliance reviews
  - 3.1 million service updates
- Over 709,000 payment reductions (includes payment cancellations)
- $82.7 million fortnightly savings in future outla
- $411 million in debts identified for recovery action
- 2,828 people convicted of welfare fraud

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Future Directions

- Looking at new technologies and opportunities
  - Biometrics
  - Interactive Voice Recognition in call centr
  - Implementation of e-Business strategies
  - Geographical/spatial risk mapping
  - More timely electronic interchanges of data between agencies

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Summary

- Compliance Framework based on Risk
- Three main themes
  - Prevention, Detection and Deterrence
- Close liaison and cooperation between agencies all levels of government
- Extensive use of I&T to match data systems
- Comprehensive Performance Measurement Framework
- Maintain community confidence in the integrity of the system