



## **OUTSOURCING FRAUD MANAGEMENT AND REVENUE ASSURANCE FUNCTIONS**

We have previously discussed the impact of cost cutting (and resource reduction) on the Fraud Management and Revenue Assurance functions, and the challenge to ensure that any increased risk as a result of these business changes is kept to a minimum. We also suggested that an alternative strategy would be the contracting out of various internal business processes to a third party organisation, or outsourcing.

Contracting out specific areas of Fraud Management and Revenue Assurance is not a new concept, and many 'forward thinking' CSP's are already taking advantage of some of the Fraud and RA Managed Services that are available.

The writers experience in this area has generally been that there is reluctance by many Fraud and RA Managers and Analysts to accept the benefits of outsourcing at least some components of the Fraud Management and RA functions to a third party, such as a managed service or a Shared Service Centre. Some of this reluctance is no doubt out of concern that the effectiveness of the existing Fraud or RA function could be reduced if outsourced, or in-house positions may become surplus to requirements and job losses could result.

Perhaps it would be of benefit to look at the three high level business functions which exist for both Fraud Management and Revenue Assurance – Prevention, Detection and Investigation.

- **Prevention.**

One of the valuable components of this function is the critical proactive step at identifying vulnerabilities, control weaknesses or other areas of compromise that could be exploited by fraudsters or result in revenue loss. Management of this function requires dedicated and experienced Fraud and RA staff who must become involved in the new product or service lifecycle early. Experience has shown us that despite our best efforts, we are unlikely to identify every point of compromise before the fraudster does, so we will generally rely on the 'Detect' function to provide an early warning of anything this product or service review has missed. This is also a function that does suffer from budget and resource reductions as staff are forced towards the monitoring functions to help manage the day to day fraud and RA issues that arise before they become significant enough to become an internal and external embarrassment.

- **Detection.**

This function is typically reactive, but necessary to analyse the data available from a Fraud Management or Revenue Assurance System, or from the various other valuable sources of data available, such as NRTRDE records, High Usage Reports etc. The success of this function is dependent upon identifying any fraud or RA issue as early as possible to limit losses, and ideally, should include some 24x7 monitoring.

- **Investigation.**

This is a critical function, not only to identify those responsible for any significant fraud incident, but also to identify what control weaknesses or other vulnerabilities contributed to this fraud or revenue leakage. This then enables stronger controls to be developed and implemented to ensure that future losses can be avoided. This is another function that often becomes a casualty of reduced resources within the fraud or RA Team.

When evaluating these 3 functions, 'Detection' is one which can very easily be outsourced to a 3rd party, providing significant benefits to the CSP. These benefits include;

- The ability of a Fraud and/or RA Manager to ensure sufficient resource is available to manage both the Prevent and Investigate functions, by re-deploying those previously involved in the Detect function
- Provides access to 24x7 Fraud and RA monitoring, which is generally a service that cannot be provided in-house due to resource and cost implications. Most CSP's will agree that the bulk of their high value fraud, such as IRSF, occurs after normal business hours, particularly over weekends
- Access to consistent and effective fraud/RA monitoring by a dedicated and experienced team of Fraud and RA analysts
- Access to a wide range of industry fraud and revenue risk intelligence obtained from a variety of industry sources
- Limited investment required with the ability to operate the Fraud and RA monitoring (Detect) functions on a purely 'Opex' basis

There are a number of differing operational models available for the outsourced monitoring function, and these can vary from a simple monitoring and automated alert process, through to monitoring combined with controlled access to the CSP's Customer Care System to allow some initial investigation to be completed prior to referral. A common argument against this concept is the lack of 24x7 Fraud or RA resources to receive any out of hour's referrals. This concern can be satisfied by using one of the 24x7 functions that already exist within the CSP organisation (such as the NMC or Customer Service Centre) for urgent matters, a call out process for urgent matters, authorising the outsourced team to take some action where fraud is obvious, or simply having issues documented for immediate action by early shift staff arriving at the CSP's premises.

Outsourcing the 'Detect' function for Fraud Management, Revenue Assurance or both to a recognised and proven provider of these services is a 'no-brainer' when trying to manage the challenges being faced through budget or resource cuts. It is also a serious consideration when trying to free up experienced Fraud or RA resources to perform other valuable fraud or RA functions in addition to Prevention and Investigation, such as training, awareness and reporting.

For any further advice or views on this topic, feel free to contact the writer.

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