



20 SEP 2019

Dear [REDACTED]

On 8 July 2019, you emailed the Ministry requesting, under the Official Information Act 1982, the following information:

- *How much money has MSD spent on overpayment and fraud investigations over the past five years (2014 to present)?*
- *How many staff does MSD have investigating overpayment and fraud cases?*
- *How many prosecutions has MSD taken over overpayment and fraud investigations over the past five years?*
- *What was the value of overpayments and fraudulent payments investigated over the past five years?*
- *How many prosecutions for overpayments and fraudulent payments have been successful over the past five years?*

The Ministry works hard to protect the integrity of the welfare system to ensure it remains fair for all New Zealanders, which can include prosecution where clear evidence of fraud exists.

Each year the Ministry receives around seven million calls to its contact centres, and performs nearly two million face to face client interactions at front line offices. Benefit fraud represents a very small percentage of the overall numbers.

It is vital that the public has trust and confidence in the Ministry to ensure people receive their correct entitlement and do not take advantage of the welfare system. The Ministry does not tolerate benefit fraud. The Ministry actively looks to prevent, detect and reduce incidences of benefit fraud and its systems are constantly improving to enable this to happen.

The Ministry has dedicated teams of specialist fraud staff throughout the country and an Intelligence team that identifies emerging fraud risks and trends. The Ministry works with other government agencies to identify and reduce incidents of fraud and investigate cases which arise through allegations from members of the public.

The Ministry has introduced a three-tiered approach to managing fraud activity, which was implemented between November 2018 and February 2019. All allegations of potential fraud or abuse of benefit payments are responded to in a manner proportionate to the nature of the information received and the potential seriousness of offending.

*Tier One - Early Intervention – Making it easier for clients to do the right thing*

Tier one is about ensuring clients know of the information the Ministry has received about them and about their entitlements and obligations and letting them make a decision about their entitlement to a benefit payment. This involves a letter and/or

phone conversation with the client. The Ministry's aim is to identify the correct entitlement going forward, rather than establishing an overpayment.

*Tier Two - Facilitation – Providing clients with an opportunity to do the right thing*

Tier two is about working with the client to help them do the right thing. It's about having a more in-depth, face to face conversation with a client about their situation, entitlements and obligations so the client can self-assess whether they are receiving their correct entitlements. Again, the Ministry's aim is to identify the correct entitlement going forward, rather than establishing an overpayment.

*Tier Three - Investigation – Protecting the integrity of the benefit system*

Tier three is about undertaking an investigation into a client's entitlement where the Ministry believes they may be committing fraud. The outcome in these cases could be an overpayment, the imposition of a penalty, or in the most severe cases, prosecution.

The Ministry uses the Solicitor-General's Prosecution Guidelines as the main reference point when considering a prosecution. As a government agency, any criminal prosecution action brought by the Ministry must be in accordance with the 'Test for Prosecution' set out in the Guidelines.

There are two factors considered for the 'Test for Prosecution'. Firstly, a case must meet the requirements of the 'Evidential Test', where the evidence gathered must be sufficient to provide a realistic prospect of gaining a conviction. If the case meets the 'Evidential Test' requirements, the Ministry also applies the 'Public Interest Test' to determine if it is in the public interest to prosecute.

While it will always be appropriate to prosecute some people due to the nature of their offending, the Ministry is conscious that prosecution can negatively impact clients and families who are already in a vulnerable and difficult situation. It is important that the Ministry makes considered and sound decisions on which cases should be prosecuted. This includes considering the individual's situation and the cost to the taxpayer before deciding to prosecute.

Every case is considered on a case-by-case basis. Where on the balance of probabilities it is established a fraud has been committed, an overpayment will be established and we will work with the client to recover the debt at a rate they can afford.

The Fraud Prosecution Review Panel was established in May 2018 and makes the final decision regarding whether cases will involve prosecution. The panel's approach to making prosecution decisions strengthens the process by making sure that responsibility for that decision is broadly shared. In addition, cases considered for prosecution by the panel are assessed blindly, without gender or ethnicity being declared to the panel. By having wide representation from around the Ministry, including Māori representation, the Panel approach helps to provide a broader view of "public interest".

Please find enclosed the following two tables:

- Table One: the number of cases and prosecutions completed and the overpayment values established, broken down by financial year for the period 1 July 2013 to 30 June 2019.
- Table Two: the number of staff in the Fraud Intervention Services team and the total annual cost of operating the Fraud Intervention Services team broken down by financial year for the period 1 July 2013 to 30 June 2019.

Please note, intervention at an earlier stage through the three-tier approach has influenced the reduction in overpayments and number of prosecutions.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public shortly. The Ministry will do this by publishing this letter on the Ministry of Social Development's website. Your personal details will be deleted and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact [OIA\\_Requests@msd.govt.nz](mailto:OIA_Requests@msd.govt.nz).

If you are not satisfied with this response regarding fraud investigations, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or 0800 802 602.

Yours sincerely



George van Ooyan  
**Group General Manager, Client Service Delivery**

**Table One: the number of prosecutions and investigations completed and the overpayment values established, broken down by financial year for the period 1 July 2013 to 30 June 2019.**

| Item  | Year ending 30 June |         |         |         |         |         |
|---|---------------------|---------|---------|---------|---------|---------|
|   | 2014                | 2015    | 2016    | 2017    | 2018    | 2019    |
| Fraud Intervention Services Cases                                       | 4,614               | 5,342   | 5,326   | 5,268   | 4,755   | 5,385   |
| Overpayments established through Fraud Intervention Services Cases      | 1,994               | 1,599   | 2,234   | 1,829   | 1,663   | 1,104   |
| Overpayment value established through Fraud Intervention Services Cases | \$59.3m             | \$51.7m | \$48.5m | \$43.9m | \$35.7m | \$25.8m |
| Prosecutions Completed  | 893                 | 958     | 619     | 453     | 291     | 127     |
| Successful Prosecutions Completed                                       | 868                 | 927     | 598     | 436     | 277     | 121     |
| Overpayment value established through Successful Prosecutions           | \$30.5m             | \$31.1m | \$24.1m | \$19.1m | \$13.9m | \$8.4m  |

**Notes:**

- 'Overpayment value established Fraud Investigation Services Investigations' is a subset of 'Overpayment value established Fraud Investigation Services Investigations'.
- This is a count of cases completed, prosecutions completed and cases closed. A person may have more than one investigation in a period. Prosecutions are counted in the year they are completed.
- For the financial years ending June 2018 and 2019, prosecutions for internal fraud and prosecutions that were Withdrawn - Beyond the Ministry's control have been excluded in the prosecutions completed.
- This table does not include prosecutions for internal fraud.
- This table includes people of all ages.
- In previous information released under the Official Information Act 1982 we have referred to 'investigations' rather than 'cases'. The change in terminology in the table above reflects the three tier approach and the fact that not all cases are managed as investigations.

**Table Two: the number of staff in the fraud investigation team and the total annual cost of operating the Fraud Investigation Unit for the period 1 July 2013 to 30 June 2019.**

| Financial Year | Average number of staff in the Fraud Investigation Team (FTE) | Total annual cost of operating the Fraud Investigation Unit |
|----------------|---|---|
| 2014/2015      | 152.2   | \$ 13,367,048   |
| 2015/2016      | 162.1   | \$ 12,556,298   |
| 2016/2017      | 157.6   | \$ 12,619,295   |
| 2017/2018      | 154.7   | \$ 12,999,694   |
| 2018/2019      | 153.4   | \$ 13,284,500   |

**Notes:**

- The total annual cost of operating the Fraud Investigation Unit includes staff salaries.