



14 AUG 2018

Dear [REDACTED]

On 24 June 2018, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- 1. What is the annual budget to run the tip-off line?*
- 2. Have there been any changes to its resourcing since 2012/13?*
- 3. What is the annual value of overpayments established via the tip-off line, from 12/13 to 16/17?*
- 4. How many benefits are cancelled annually as a result of a tip-off line investigation, from 12/13 to 16/17?*
- 5. What is the total annual value of the fraud involved in the successful prosecutions, from 12/13 to 16/17?*

### **Introduction**

Further to the Ministry's previous response to you on 15 June 2018, I thought that it would be helpful to you if I expanded on the role of the allegation line.

The allegation line plays an important role in the Ministry's on-going efforts to prevent and detect fraud and provides an important channel for members of the public to advise us of potential fraud. Allegations received from the phone line lead to a significant proportion of the overpayments we identify and criminal fraud we successfully prosecute.

### **Our responsibilities**

The Ministry takes its responsibilities very seriously in the administration of public expenditure to provide income assistance and services to more than one million New Zealanders each year. The Ministry works hard to protect the integrity of the system to ensure it remains fair for all New Zealanders.

The Ministry has a robust system to detect fraud. In 2016/17 the Ministry successfully prosecuted 431 out of 448 criminal cases, a 96 per cent success rate. The cases involved significant amounts of money that clients had criminally defrauded from the system, some cases occurring over a number of years. On-going investment such as the allegation line is needed to help prevent and detect fraud and protect the Government's investment in the welfare system.

## **The allegation line – How it works**

Allegations are received by the Ministry in various ways either online, in person, or by a phone call. The role of the team who run the Allegation Line is to record fraud allegations received by the Ministry over the 0800 number or online. The resourcing of the Allegation Line has remained consistent since 2014, with 11 staff who answer calls and respond online, and one Team Leader.

The focus of the initial interaction is to get as much detailed information from the caller as possible to determine the likelihood of fraud, ie. the client's full name and address, employer details, how the caller knows about the information and other corroborating sources.

When an allegation is received, the information is assessed based on the level and quality of information available to assess the level of fraud and risk posed. Based on this assessment, some cases will not be followed up, for example, the information provided is already known to the Ministry, or because there is insufficient information to warrant further action. Some cases may be referred to Service Centres for Case Managers to have follow-up conversations with clients about the allegation received.

## **Detection and prevention of fraud**

Allegations received through the Ministry's phone line can play a key part in detecting fraud and identifying overpayments. An allegation on its own is not evidence. It provides valuable information which may initiate an investigation, however any decision taken is based solely on the range of evidence gathered including talking to the client concerned.

The Ministry wants to ensure that it provides clients with information that helps them understand what help they can receive and in turn encourage people to tell us when their situation changes.

Many overpayment cases the Ministry assesses are not cases of criminal fraud. They are simply cases where a client's circumstances have changed and they have not let the Ministry know. This may happen because the client forgets to tell the Ministry, may not understand they need to let the Ministry know, or haven't let us know before the regular payment cycle has been completed.

The Ministry's Case Managers talk with clients to let them know what they need to do and payments are adjusted in the next payment cycle. This is a straightforward, business as usual process that clients are very used to and which is very different from an investigation.

Where the information provided by the alleger is more detailed and substantial the case will be referred to a Fraud team for investigation. A further assessment is then completed by the Fraud team to determine what, if any, action they will take.

## **Value of overpayments established via the tip-off line**

The Ministry is unable to answer what the annual value of overpayments established via the tip-off line is, or how many benefits have been cancelled due to a phone allegation, as single factors are not reported on in a case. Allegations received from the phone line when combined with other information and analysis, do lead to a

significant proportion of the overpayments we identify and criminal fraud we successfully prosecute.

Allegations are a starting point for follow up action and a range of other factors may come into play during the resulting investigation or conversation with a client that means the outcome, for example an overpayment, may not relate directly to the nature of the original allegation.

As an example, the Allegation Line might receive an allegation about John living with a partner. This is identified as a low risk case and is referred to a Case Manager. In conversation with John, it is noted that he does not have a new partner but his sister visited him two weeks earlier and stayed with him for a few days. John also used the opportunity to notify the Ministry that he worked three hours more than usual the previous week, which resulted in an overpayment being established. The details of this overpayment are then recorded by the Case Manager in John's file.

Your request for the annual value of overpayments established via the tip-off line and the number of benefits cancelled annually as a result of a tip-off line investigation is refused under section 18(f) of the Act as this information is held in notes on individual case files. In order to provide you with this information Ministry staff would have to manually review thousands of files. The greater public interest is in the effective and efficient administration of the public service.

I have considered whether the Ministry would be able to respond to your request given extra time, or the ability to charge for the information requested. I have concluded that, in either case, the Ministry's ability to undertake its work would still be prejudiced.

The Ministry has previously provided you with the following information in the table below, to which I have now included the total value of overpayments from successful prosecutions and the total value of overpayments related to investigations.

**Investigations, Overpayments and Prosecutions**

	Financial Year				
	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Investigations completed</b>	10,003	7,650	10,491	8,689	5,992
<b>Overpayments established</b>	1,902	2,270	1,619	2,250	1,829
<b>Successful prosecutions</b>	906	865	922	595	431
<b>Total value of overpayments from successful prosecutions</b>	\$31.9m	\$30.5m	\$31.1m	\$24.1m	\$19.1m
<b>Total value of overpayments</b>	\$46.1m	\$64.4m	\$51.8m	\$48.9m	\$44.2m

**Notes:**

- Overpayments established are an indicator of action taken however there are an unknown number of cases where a benefit may be adjusted but no overpayment has been established.
- When an investigation is completed and an overpayment established, it does not mean that the client has committed fraud. There are situations where overpayment occurs but no fraud.
- Prosecutions do not relate directly to the investigations completed as prosecutions may not be completed in the year that investigations are completed.
- Overpayments from successful prosecutions is a subset of total overpayments
- The number of investigations includes lower level cases where a client's entitlement was reviewed and in some cases altered, and more serious cases where investigations of

potential fraud are undertaken by fraud teams. The number of serious cases has remained relatively steady from 2012/13 to 2016/17.

It is worth noting that over 50 per cent of investigations result in an overpayment or an entitlement change. The Ministry has been focusing increased attention on fraud prevention and early intervention activities over recent years, such as providing more support to frontline staff to engage early with clients where they think the client may not be receiving their correct entitlement. The aim is to help the client to do the right thing early, before they incur an overpayment, which may result in an investigation and prosecution.

The following table shows the total annual cost of operating the Allegation Line between 2012/13 and 2016/17, broken down by cost type. You will note the annual budget for the Allegation Line is approximately \$600,000 per year. This budget is inclusive of staff, management, administration and overhead costs.

Cost of operating Allegation 0800 Phone Line	Financial Year				
	2012/13	2013/14	2014/15	2015/16	2016/17
Staff Salaries	\$512,120	\$521,378	\$539,560	\$550,252	\$548,152
0800 Phone Line	\$18,280	\$23,360	\$26,830	\$25,561	\$20,821
Other	\$46,695	\$54,768	\$28,449	\$32,641	\$29,769
<b>Total</b>	<b>\$577,095</b>	<b>\$599,506</b>	<b>\$594,839</b>	<b>\$608,454</b>	<b>\$598,742</b>

**Notes:**

- This data represents funding for 11 FTEs since 2014.
- Average actual salaries are associated with the role type.
- Staff salaries include staff whose primary role is related to the phone line; however there are other aspects to their roles.
- 'Other' includes the actual overhead costs based on the allegation staff.
- 0800 call costs are based on actual volumes for each year applied as a standard rate.

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 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 relating to the Ministry's Allegation Line 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, 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,



Warren Hudson  
**Acting Group General Manager, Client Service Support**