

## COMBATTING WELFARE FRAUD FACT SHEET

### Relationship Debt Sharing

#### **The problem we faced**

Relationship fraud makes up a large proportion of welfare fraud each year – in the 2013/14 year there were 329 successful prosecutions that involved relationship fraud, with overpayments of \$15.4 million.

Relationship fraud is fraud where a person misrepresents their relationship status to get, or continue to receive, a single rate of benefit. For example, to receive the Sole Parent Support, a person must not be in a 'marriage type' relationship.

It is particularly concerning because relationship fraud can only occur when there are two people, but previously the law only allowed the beneficiary to be held to account, leaving them with the entire debt.

#### **What we've done**

In April this year Parliament passed the Social Security (Fraud Measures and Debt Recovery) Amendment Act 102 votes to 17. The Act came into force on 7 July. This will mean both parties will be jointly and severally liable to repay the debt and will ensure the consequences of welfare fraud are appropriately shared by both parties in the relationship.

#### **Results we expect**

It is anticipated that this new law will apply to approximately 700 – 1,000 cases per year.

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# Information Sharing with Inland Revenue

### **The problem we faced**

Different agencies hold different information on people. We need to put that information together to stop dishonesty where it is occurring. While the Ministry of Social Development already had a range of data-matching programmes to prevent and detect welfare fraud, legislation still limited how much information we were able to check and how regularly.

### **What we've done**

Enhanced Information Sharing with Inland Revenue was implemented in March 2013 and provides MSD with employment details for all working age clients who are in receipt of benefit. Information provided shows whether a client has under declared or not declared their income.

The information sharing programme works to enhance the integrity of the welfare system by ensuring MSD clients get paid the correct amount of financial assistance. Earlier and more frequent review of client circumstances mean less debt is incurred and opportunity to commit fraud is reduced.

### **Results we've seen**

As at 30 June 2014:

- Almost 6,900 benefits have been stopped
- More than \$56.3m in overpayments have been identified of which \$3.1m has been recovered so far
- An estimated \$44.8m in future benefit payments stopped<sup>1</sup>
- 351 successful fraud prosecutions and a further 435 are underway

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<sup>1</sup> This is calculated on the assumption that illegitimate benefit payments continue for an average of 6 months if MSD does not intervene.

## COMBATting WELFARE FRAUD FACT SHEET

### Joint Agency Response to Fraud

#### **The problem we faced**

If someone is being dishonest with MSD, it's reasonable to suspect they're also being dishonest with other providers of social assistance, such as ACC. Previous interagency work, particularly with Police has generated positive results for both agencies and we wanted to build on that.

#### **What we've done**

We've established an interagency programme that is tasked with identifying and responding to welfare fraud offending. The Welfare Fraud Collaborative Action Programme was implemented in January 2013. It is a new way of working together for MSD, ACC, Inland Revenue and Police to achieve greater collective results by jointly investigating and prosecuting people who commit fraud across the various agencies.

This programme targets complex cases of illegal double, or multiple dipping into the welfare system, particularly in the areas of:

- Identify fraud, such as multiple identities, fake identities, identity manipulations and identity changes.
- Undeclared income; and
- Misrepresented relationship status and/or family composition

#### **Results we've seen**

As at 30 June 2014, the programme has completed 27 joint investigations involving 73 people across all agencies resulting in:

- Collective overpayments of \$4.1m across the joint agencies
- 20 direct MSD benefit cancellations as a result of WFCAP intervention

The programme provides a platform for MSD and other agencies to work together on how best agencies can share information and intelligence to address offending for selected fraud investigations.

## COMBATting WELFARE FRAUD FACT SHEET

### Low Trust Client Management

#### **The problem we faced**

MSD lacked effective tools to prevent people from reoffending again if they returned to a benefit in the future. Prior to the introduction of Low Trust Client Management, on average 26% of clients with overpayments have had a dishonest or fraudulent overpayment previously

#### **What we've done**

We've introduced new ways of working with 'low trust' clients to ensure they comply with their obligations.

'Low trust' clients are those who have acted dishonestly in their dealings with MSD, and are convicted of welfare fraud or have an overpayment established following an investigation. People who have made a genuine mistake in their dealings with MSD are not included in this group.

The changes require 'low trust' clients to access some or all services face-to-face and provide extra verification of documents or evidence.

#### **Results we've seen**

As at 30 June 2014:

- More than 1,800 'low trust' clients had been identified and are now facing proactive scrutiny to prevent them reoffending.
- It's early days and these clients continue to be subject to monitoring and intensive case management. To date no client that has been a part of this programme has re-offended.

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### Debt Recovery Tools

#### **The problem we faced**

Most people who owe MSD money are making genuine efforts to pay it back. However some of the people who owe the most are either not paying enough, or not paying at all.

#### **What we've done**

From February 2013, we've sought reparation orders through prosecutions where the client has a poor repayment history with a credit reference agency or the Ministry. Failure to repay a court imposed reparation order results in greater consequences such as being prevented from leaving the country or adversely impacting on credit history.

In addition, we've also incorporated the identification of assets as part of every fraud investigation plan from April 2013. Where a client is prosecuted and significant assets such as cash or property are identified, we will seek to secure those assets and use them to repay fraud debts.

#### **Results we've seen**

As at 30 June 2014:

- 223 reparation orders have been granted
- More than \$90,000 has been recovered through reparation orders
- One asset seizure has been concluded, with several more in progress
- More than \$70,000 has been recovered through asset seizures

## COMBATting WELFARE FRAUD FACT SHEET

### Speeding up Investigations

#### **The problem we faced**

The Code of Conduct under the Social Security Act 1964 required MSD to tell a person they're being investigated for welfare fraud and ask the person to provide any necessary information in the first instance. In 95% of cases the person did not provide the data and the investigation could be delayed by up to 25 days.

#### **What we've done**

In November 2012 we made changes to the Code of Conduct under the Social Security Act to allow MSD to source information direct from third parties without informing clients they were being investigated.

#### **Benefits we've seen**

The benefits from this change include:

- This year investigators completed 4,614 investigations, compared to 3,618 last year. This initiative has contributed to this increase number of investigations completed.
- Simplifies the process, making investigations more efficient
- Reduces the risk of tampering with evidence, improving the quality of documentation
- Reduces unnecessary stress on innocent parties by allowing allegations of fraud to be corroborated before starting an investigation.

## COMBATTING WELFARE FRAUD FACT SHEET

# Getting smarter and preventing and detecting relationship fraud

### **The problem we faced**

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Relationship fraud is fraud where a person misrepresents their relationship status to get, or continue to receive, a single rate of benefit. For example, to receive the Sole Parent Support, a person must not be in a 'marriage type' relationship.

Defining a 'marriage type relationship' can often be difficult.

### **What we've done**

In July 2013, the Ministry made changes to the application process for benefits, to help clients understand what these rules and obligations mean for them. The application form now expands on the relationship definition.

The Ministry of Social Development also asks for details of someone who can confirm the client's relationship status. Verification is followed up when there is a suspicion of, or a history of, fraud.

We're making contact with clients on a single rate of benefit in a number of different ways to check in with them and offer assistance if their circumstances have changed, to make sure they are receiving their correct entitlement.

### **Results we've seen**

As at 30 June 2014:

- More than 9,000 benefit applications have been completed with the expanded information and third party verification.
- Testing of the follow-up intervention with clients is proceeding well, with results expected later this year.