



5 DEC 2018

Māmari Stephens
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Dear Māmari Stephens

On 31 July 2018, you emailed the Ministry requesting, under the Official Information Act 1982, the following information for the 2014/2015, 2015/2016, and 2016/2017 financial years:

- *If the ethnic profile of those referred for debt recovery is proportionate to those who are in receipt of social assistance. For example, if (say) 46% of beneficiaries were in receipt of sole parent support in 2016/2017 were Māori, what percentage of SPS recipients with an overpayment raised in 2016/2017 were Māori? Is there a difference between those recipients with overpayments and those prosecuted for fraud, eg the percentage of SPS clients with a fraud prosecution commenced that year? What percentage of those under investigation for fraud were Māori?*
- *I would like the profile for one benefit (SPS) and I would like a collated figure, eg all benefit recipients (under going investigation for overpayment as a percentage of all benefit recipients, broken down also by ethnicity).*
- *The same kinds of figures for recoverable assistance loans (which can be claimed by non beneficiaries).*

Your questions are addressed at the end of the response, but first please find below some information about the topics your questions are regarding.

Overpayments

You will see from the data enclosed that there are large numbers of overpayments established each year for those receiving welfare benefits. Where there has been an overpayment, a debt is established and Work and Income discuss repayment with the client.

There are three main types of benefits (Jobseekers, Sole Parent Support and Supported Living Payments), as well as a wide range of additional help. This includes assistance such as Accommodation Supplement, Disability Allowance and Childcare Assistance. Most forms of additional assistance are income tested and the amount a person will receive can vary with changes in their income or in the costs considered.

If people's circumstances change then these changes need to be reported and captured by Work and Income at the time they occur. If that does not happen, then a person may receive more or less assistance than they were entitled to.

The vast majority of overpayments established by the Ministry are not cases of criminal fraud. They are simply cases where a client's circumstances have changed

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and they have not let Work and Income know in time before a payment has been made. This may happen because the client forgets to tell the Work and Income, may not understand they need to let Work and Income know, or haven't let Work and Income know before the regular payment cycle has been completed.

In these cases Work and Income'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 a fraud investigation.

For example, John receives Jobseeker Support and works part time. His benefit is abated in line with how much extra income he receives from employment. He received his payslip on Friday for the period ending Wednesday that week. He notes that he had worked three more hours than usual and advised Work and Income of this through his online MyMSD account.

This meant that John's benefit was overpaid for that week and an overpayment debt was established. The Ministry has some discretion in determining the method and rate of recovery, or in some cases temporarily deferring recovery. When managing debt recovery from current and former clients, Work and Income considers their financial situation when negotiating repayments to avoid causing further hardship. In this example, Work and Income in conjunction with John will set a repayment rate, taking into consideration his personal situation.

The Ministry has a legislative duty to take all practicable steps to recover debt, with exceptions to this duty only where the debts are; caused by administrative error; uneconomic to recover; remitted or suspended under regulations; or written off for public finance purposes. Debt that is written off is provisional and in some circumstances may be reactivated.

Fraud investigation

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.

Overpayments may be established as a result of a benefit fraud investigation and data matching. 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. The Ministry has a dedicated team of specialist fraud investigators 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 also investigate cases which arise through allegations from members of the public.

At the same time, National Fraud Teams and the Integrity Intervention Centre are increasing their focus on fraud prevention and early intervention activities. For example, fraud investigators are working more closely with front line staff to assist them to have good conversations with clients to ensure they understand their obligations to tell Work and Income early about their changing circumstances as this could affect their benefit entitlement.

Up to the 2015/16 financial year, the Integrity Intervention Centre completed desk based reviews of lower level allegations, which were counted as investigations. Since

2015/16 these have been referred to Service Centers for follow up by Case Managers and are not treated as investigations.

Fraud prosecution

The Ministry uses the Solicitor-General's Prosecution Guidelines as the main reference point when making a decision about 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 to the 'Test for Prosecution'; 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; and if the case meets the 'Evidential Test' requirements, the Ministry 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.

The decision to prosecute is often a complex one. The Ministry must balance considerations of a client's alleged dishonest actions against their personal circumstances and the effect a prosecution might have on their ability to attain independence and maintaining health and wellbeing.

The Fraud Prosecution Review Panel was established in May 2018 and makes the final decision on whether cases are to be prosecuted. The Panel 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".

You will note that the number of clients investigated and prosecuted for fraud has decreased over the time period reported. As improved data matching is picking up more cases of undeclared income earlier, fewer of these cases require investigation and prosecution. The Ministry is increasingly focused on only prosecuting the more serious cases of fraud that occurred over longer periods, and/or involved bigger overpayments.

Recoverable Assistance Payments

Recoverable assistance provides beneficiaries and people on low incomes with interest free loans to help them meet an immediate need for essential items, like paying late utility bills or rent, buying essential household appliances, or meeting urgent needs for children. Repayment arrangements are agreed at the outset, taking their circumstances and financial situation into account. The Ministry aims to ensure that clients make the best decisions regarding recoverable assistance to avoid creating debt.

Your request

Please find enclosed tables 1 to 12 that address your request. It is important to note that clients with a debt established in any one year are not necessarily part of the same cohort who are investigated for fraud in that year, who in turn are not necessarily part of the same cohort who are prosecuted for fraud in that year.

Please note that the ethnicity classification used to construct these tables does not align with the current Statistics New Zealand classification of ethnicity. Ethnicity details recorded in the Ministry's systems have been gathered under a variety of classification schemes as clients came into contact with the Ministry over time. Additionally, ethnicity is not a compulsory field and is not always specified.

The Ministry recognises the higher representation of Māori clients among those investigated and prosecuted for fraud:

- Māori represent a higher proportion of Work and Income clients than their proportion of the total population, approximately 35 per cent of all main beneficiaries are Māori, and approximately 47 per cent of recipients of Sole Parent Support are Māori.
- Māori are also more likely to spend a longer time in receipt of a benefit. The Ministry's 2017 Benefit System Performance Report, available here: www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/2017-benefit-system-performance-report-june-2018.pdf reported the finding that Māori clients aged 20 to 29 years who are work ready and in receipt of Jobseeker Support were predicted to spend an average of 14.2 future years on benefits, compared to 9.8 years for New Zealand Europeans (page 51).

Clients who have committed fraud, and have been in receipt of a benefit for a longer duration, are more likely to have committed this fraud over a longer period. The length of offending is a significant factor in determining which cases the Ministry investigates and prosecutes as it is correlated with both an increased number of times that the client may have lied to the Ministry and to a larger cumulative overpayment.

In recognition of the over representation of Māori and Pacific Peoples across the benefit system, the Ministry is working on a Māori and Pacific Strategy and action plan that will include training for staff to help them better understand the needs of Māori and Pacific clients.

The Ministry's 2018 to 2022 Statement of Intent available here: www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/corporate/statement-of-intent/2018/statement-of-intent-2018-2022-online-version.pdf also includes improving the equity of outcomes, particularly for Māori, as part of the impacts that the Ministry wants to achieve.

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 attached documents available to the wider public shortly. The Ministry will do this by publishing this letter and attachments 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.

If you are not satisfied with this response regarding overpayment debt and fraud investigations and prosecutions broken down by ethnicity, 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 or 0800 802 602.

Yours sincerely



George Van Ooyen
Acting Group General Manager, Client Service Support

Table 1: Number of working age main benefit clients broken down by ethnicity, as at the end of the financial year.

Ethnic group	As at the end of		
	June 2015	June 2016	June 2017
Māori	99,084 (35%)	98,008 (35%)	97,716 (35%)
NZ European	120,544	112,168	109,596
Pacific Peoples	21,811	22,671	21,826
Unspecified	6,021	7,513	8,522
Other	37,889	39,817	38,671
Total	285,349	280,177	276,331

Notes:

- Working age clients are clients aged 18-64.
- Main benefit does not include New Zealand Superannuation, Veterans Pension, Non-Beneficiaries, Orphans Benefit, and Unsupported Childs Benefit.
- Ethnicity data is self-identified and multiple ethnicities may be chosen by an individual as fits their preference or self-concept. Multiple selected ethnicities are then prioritised into a hierarchy. The Māori ethnicity has the highest priority in this hierarchy, followed by Pacific peoples. NZ European has the lowest priority. A single ethnicity is assigned to an individual based on this hierarchy. Ethnic groups do not currently align with Statistics New Zealand ethnicity groupings.

Table 2: Number of Sole Parent Support clients broken down by ethnicity, as at the end of the financial year.

Ethnic group	As at the end of		
	June 2015	June 2016	June 2017
Māori	32,518 (47%)	31,040 (47%)	28,849 (48%)
NZ European	22,828	19,753	18,083
Pacific Peoples	6,694	7,020	6,459
Unspecified	953	1,071	1,182
Other	6,247	6,538	6,058
Total	69,240	65,422	60,631

Table 3: Recoverable Assistance Payments granted, broken down by the ethnicity of the recipient and financial year.

Ethnic group	During financial year ending		
	June 2015	June 2016	June 2017
Māori	13,656 (42%)	15,527(43%)	20,703 (45%)
NZ European	9,749	10,553	11,049
Pacific Peoples	5,010	5,625	7,766
Unspecified	528	861	1,704
Other	3,384	3,920	5,124
Total	32,327	36,486	46,346

Notes:

- This is a count of the number of recoverable assistance payments granted, not the number of clients. The same client may be counted more than once in any given period.

Table 4: Number and dollar value of overpayment debts established for working age main benefit clients, broken down by ethnicity and financial year the debt was established.

Ethnic group	During the financial year ending					
	June 2015		June 2016		June 2017	
	Total debts established	Total debts amount	Total debts established	Total debt amount	Total debts established	Total debt amount
Māori	199,041 (32%)	\$53,772,521.11 (38%)	220,396 (33%)	\$59,715,920.81 (37%)	238,791 (34%)	\$61,166,693.66 (38%)
NZ European	250,998	\$51,448,493.55	266,711	\$58,561,529.68	272,090	\$56,591,273.52
Pacific Peoples	55,655	\$16,012,672.20	56,072	\$16,750,867.12	59,794	\$15,945,031.80
Unspecified	13,123	\$2,192,683.02	15,056	\$3,292,569.12	24,266	\$4,329,278.54
Other	95,356	\$18,378,310.72	103,030	\$21,275,921.48	108,476	\$21,066,890.15
Total	614,173	\$141,804,680.60	661,265	\$159,596,808.21	703,417	\$159,099,167.67

Notes:

- This is a count of overpayment debts established, not a count of clients. A client may be counted more than once in any given period.
- Working age clients are clients aged 18-64.
- Main benefit does not include New Zealand Superannuation, Veterans Pension, Non-Beneficiaries, Orphans Benefit, and Unsupported Childs Benefit.

Table 5: Number and dollar value of overpayment debts established for Sole Parent Support clients, broken down by ethnicity and financial year the debt was established.

Ethnic group	During the financial year ending					
	June 2015		June 2016		June 2017	
	Total debts established	Total debt amount	Total debts established	Total debt amount	Total debts established	Total debt amount
Māori	42,713 (38%)	\$14,859,249.12 (45%)	45,656 (39%)	\$15,638,795.60 (45%)	49,330 (39%)	\$15,968,672.18 (44%)
NZ European	44,223	\$10,281,556.44	44,469	\$11,010,262.96	45,433	\$11,149,285.53
Pacific Peoples	10,906	\$4,625,751.48	10,763	\$4,062,190.46	12,376	\$4,276,026.85
Unspecified	1,686	\$413,026.94	1,768	\$400,535.58	2,250	\$435,258.76
Other	12,480	\$3,050,124.48	13,665	\$3,469,000.62	16,516	\$4,213,425.46
Total	112,008	\$33,229,708.46	116,321	\$34,580,785.22	125,905	\$36,042,668.78

Notes:

- This is a count of overpayment debts established, not a count of clients. A client may be counted more than once in any given period.
- Overpayments in this table may have occurred while the client was in receipt of Sole Parent Support, its predecessor, Domestic Purposes Benefit – Sole Parent, or supplementary payments attached to either of those benefits.

Table 6: The number of investigations completed for client fraud, broken down by financial year.

During the financial year ending	Investigations
June 2015	10,439
June 2016	8,394
June 2017	5,577
Total	24,410

Notes:

- This table only includes investigations which included at least one Ministry client.
- This is a count of investigations. An investigation may include multiple clients.
- This table does not include investigations of internal fraud.
- Up to the 2015/16 financial year, this data includes Integrity Intervention Centre desk based reviews of lower level allegations, which are now managed by Service Centres and not counted as investigations.

Table 7: The number of clients included in an investigation, broken down by financial year and ethnic group.

Ethnic Group	Number of clients included in investigations completed in financial year ending		
	June 2015	June 2016	June 2017
Māori	6,152 (39%)	5,085 (42%)	3,945 (47%)
NZ European	6,236	4,208	2,865
Pacific Peoples	1,467	1,258	628
Other/Unspecified	1,894	1,451	1,033
Total	15,749	12,002	8,471

Notes:

- This table includes clients of all ages.
- This is a count of clients included in an investigation. A client may be included in more than one investigation in a period.
- Ethnicity is prioritised ethnicity as at the date of investigation completion.
- This table does not include investigations of internal fraud

Table 8: The number of working age clients included in an investigation who were receiving a main benefit at the time the investigation was completed, broken down by financial year and ethnic group.

Ethnic Group	Number of working age clients included in investigations completed in the financial year ending		
	June 2015	June 2016	June 2017
Māori	3,731 (41%)	3,014 (45%)	2,221 (50%)
NZ European	3,692	2,482	1,550
Pacific Peoples	672	567	263
Other/Unspecified	937	708	407
Total	9,032	6,771	4,441

Notes:

- This table includes clients with a current main benefit as at the date of investigation completion.
- Main benefit does not include New Zealand Superannuation, Veterans Pension, Unsupported Childs Benefit, Orphans Benefit, and Non-Beneficiaries.
- The benefit a client is in receipt of at the date of investigation completion may not be the same type of benefit that the client was investigated regarding.
- Working age clients are clients aged 18 to 64 as at the investigation completion date.
- This is a count of clients included in an investigation. A client may be included in more than one investigation in a period.
- Ethnicity is prioritised ethnicity as at the date of investigation completion.
- This table does not include investigations of internal fraud.

Table 9: The number of working age clients included in an investigation who were receiving Sole Parent Support at the time the investigation was completed, broken down by financial year and ethnic group.

Ethnic Group	Number of working age clients included in investigations completed in the financial year ending		
	June 2015	June 2016	June 2017
Māori	1,767 (47%)	1,082 (48%)	815 (54%)
NZ European	1,332	840	472
Pacific Peoples	291	167	103
Other/Unspecified	350	181	132
Total	3,740	2,270	1,522

Notes:

- This table includes clients with a current Sole Parent Support benefit as at the date of investigation completion.
- The benefit a client is in receipt of at the date of investigation completion may not be the same type of benefit that the client was investigated regarding.
- Working age clients are clients aged 18 to 64 as at the investigation completion date.
- This is a count of clients included in an investigation. A client may be included in more than one investigation in a period.
- Ethnicity is prioritised ethnicity as at the date of investigation completion.
- This table does not include investigations of internal fraud.

Table 10: The number of prosecutions completed for client fraud, broken down by financial year and ethnic group.

Ethnic Group	Number of prosecutions completed in the financial year ending		
	June 2015	June 2016	June 2017
Māori	388 (41%)	277 (45%)	190 (43%)
NZ European	278	205	148
Pacific Peoples	190	78	65
Other/Unspecified	95	54	44
Total	951	614	447

Notes:

- This table includes clients of all ages.
- This is a count of prosecutions, a client may have more than one prosecution in a period.
- Ethnicity is prioritised ethnicity as at the date the prosecution was completed.
- This table does not include prosecutions withdrawn beyond the Ministry's control.
- This table does not include prosecutions for internal fraud.

Table 11: The number of prosecutions for working age clients who were receiving a main benefit at the time the prosecution was completed, broken down by financial year and ethnic group.

Ethnic Group	Number of prosecutions completed in the financial year ending		
	June 2015	June 2016	June 2017
Māori	163 (45%)	120 (49%)	95 (51%)
NZ European	107	82	58
Pacific Peoples	63	23	18
Other/Unspecified	27	19	15
Total	360	244	186

Notes:

- This table includes clients with a current main benefit as at the date the prosecution was completed.
- Main benefit does not include New Zealand Superannuation, Veterans Pension, Unsupported Childs Benefit, Orphans Benefit, and Non-Beneficiaries.
- The benefit a client is in receipt of at the date of prosecution completion may not be the same type of benefit that the client was prosecuted for.
- Working age clients are clients aged 18 to 64 at the date of prosecution completion.
- This is a count of prosecutions; clients may have more than one prosecution in a period.
- Ethnicity is prioritised ethnicity as at the date the prosecution was completed.
- This table does not include prosecutions withdrawn beyond the Ministry's control.
- This table does not include prosecutions for internal fraud.

Table 12: The number of prosecutions for working age clients who were receiving Sole Parent Support at the time the prosecution was completed, broken down by financial year and ethnic group.

Ethnic Group	Number of prosecutions completed in the financial year ending		
	June 2015	June 2016	June 2017
Māori	38 (41%)	35 (58%)	29 (51%)
NZ European	23	15	12
Pacific Peoples	25	8	7
Other/Unspecified	7	2	9
Total	93	60	57

Notes:

- This table includes clients with a current Sole Parent Support benefit as at the date the prosecution was completed.
- The benefit a client is in receipt of at the date of prosecution completion may not be the same type of benefit that the client was prosecuted for.
- Working age clients are clients aged 18 to 64 at the date of prosecution completion.
- This is a count of prosecutions; clients may have more than one prosecution in a period.
- Ethnicity is prioritised ethnicity as at the date the prosecution was completed.
- This table does not include prosecutions withdrawn beyond the Ministry's control.
- This table does not include prosecutions for internal fraud.