



A New Zealand perspective to fraud

Kevin Brady, Controller and Auditor-General, 10 November 2008

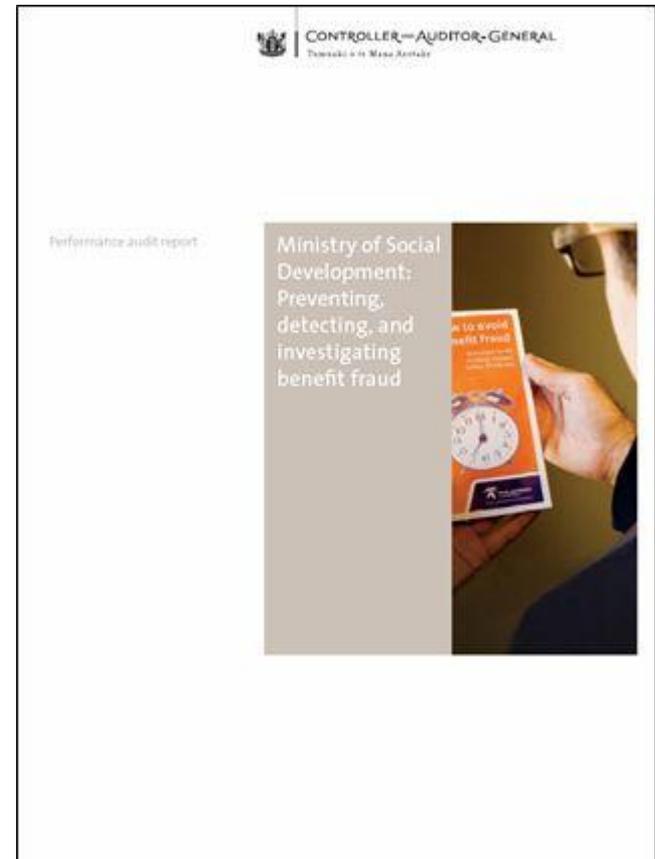


Approach

NZ situation re fraud

Role for Auditor-General

Our recent Performance Audit





New Zealand

Parliamentary democracy and constitutional monarchy

MMP system for election (mixed member proportional)

4.2 million people

Nearest neighbours three hours away





Office of Auditor General

Auditor-General appointed by Parliament

2001 legislation

Staffing – Office of Auditor-General,
Audit New Zealand,
Accounting firms

Budget \$68m

4000+ clients





What my Office does

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Annual Audits - 87%

Inquiries

Performance Audits

Support – Parliament and its Committees

PASAI – Pacific Association of Supreme Audit Institutions



Why so little corruption in New Zealand?

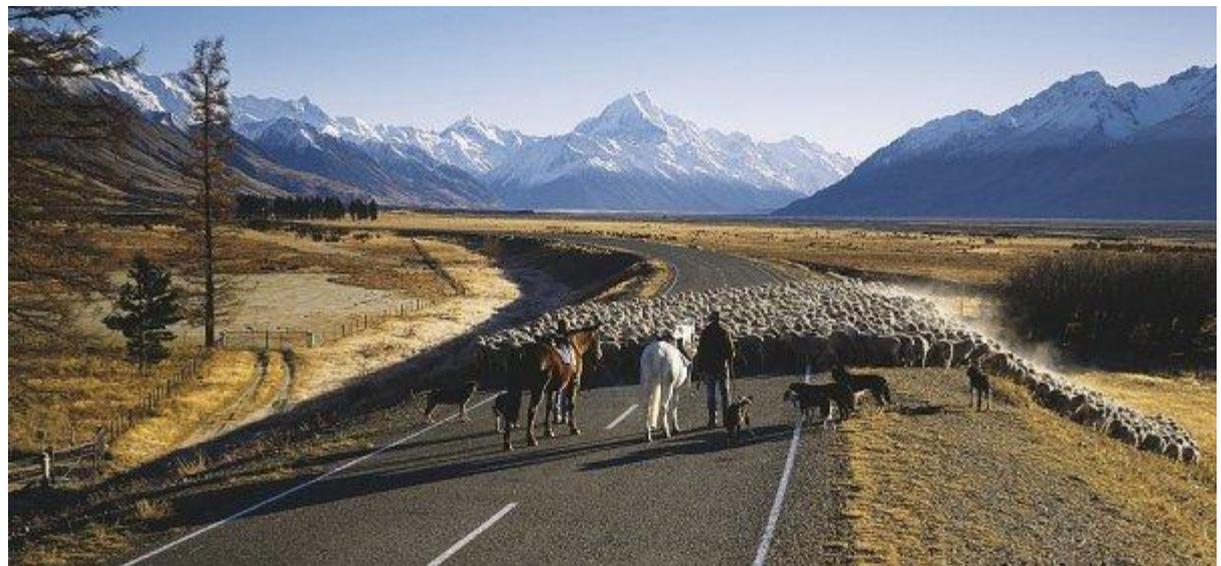
Politicians/Police/Judiciary

Culture

Freedom of information

Media

Small country





Are we at risk?

Complacency

Pride

Lack of training in ethics

Different cultural attitudes





Role of AG re fraud

Annual Audits

Performance Audits

Good Practice Guides

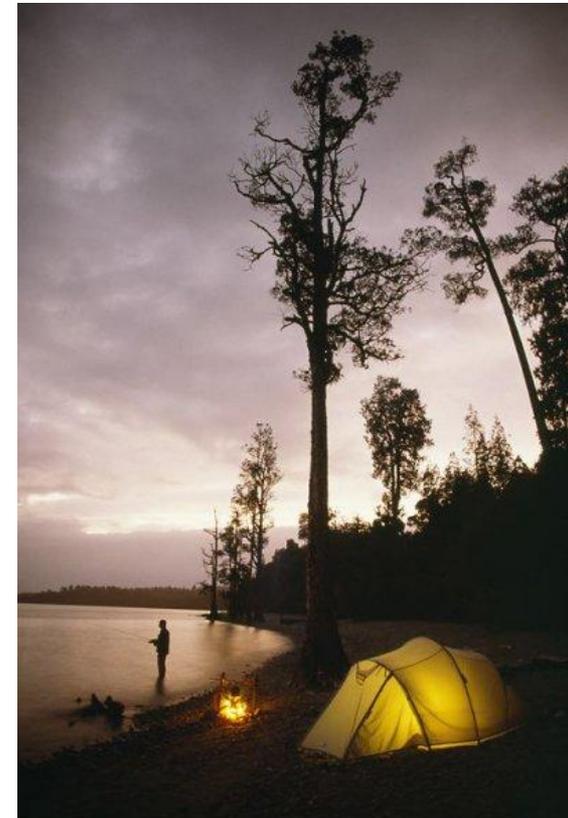




Ministry of Social Development

Role

- minimise duration of unemployment
- benefits to retired plus those who cannot care for themselves
- care for at risk children
- budget \$15 billion
- aged pensions/sickness/unemployment





Risk of Fraud

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Internal

External





Internal Fraud

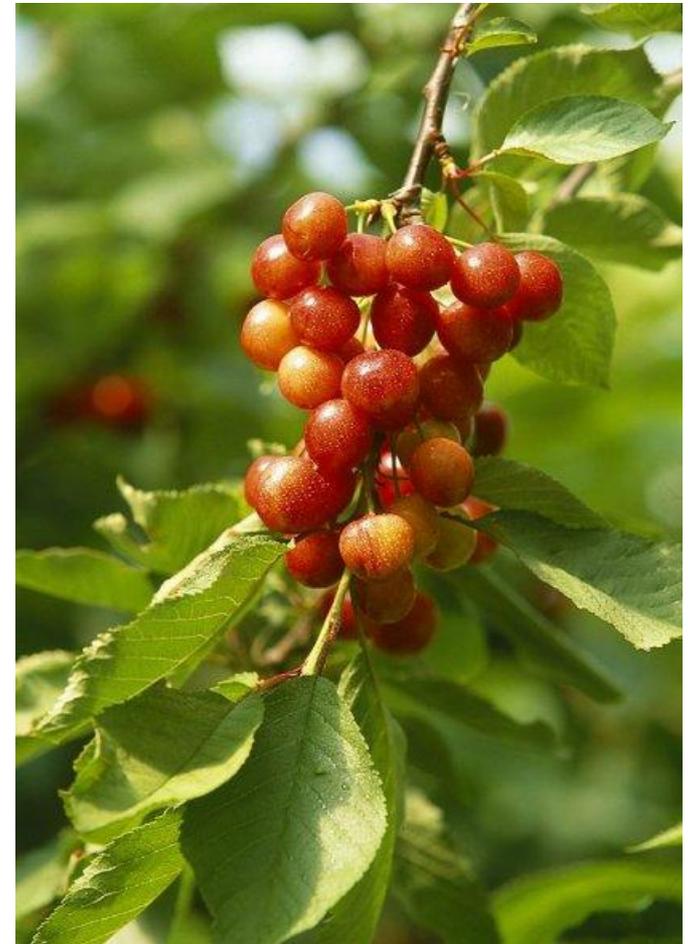
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False benefit claims by staff

Misuse of information

Inappropriate behaviour by care givers

ZERO TOLERANCE





Ministry of Social Development

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1.1 million clients

5.4m calls to call centres

1.6m applications for assistance

1m plus face to face interviews

Data matches comparing 1.2 million records





Balancing Act

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Most beneficiaries are honest

How to effectively target the minority who abuse the system

Avoid placing excessive checks and controls on the honest majority





Looking at our Performance Audit

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“Preventing, detecting and investigating benefit fraud”

\$3.4 million fraud





Who did it?

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48 year old career criminal

Lived alone and used the internet extensively

Worked full time managing the fraud





How?

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130 false identities

Disguised to look older

One fraud per office

Never used same details twice

Real documents obtained to support false identities

Acted alone with no friends





What he did with the money

Gold bars \$1.2m

Cash hidden - \$700,000

Gold and diamond rings

\$15,000 cash in car

Securities in Austria and Switzerland

Over \$4million recovered!





Our performance audit - Lessons

Simple fraud

- Can't stop it
- Data matching (e.g. with Tax Department and Birth Records)
- Target high-risk benefit types and client groups e.g. casual and seasonal workers
- Public awareness and passing on suspicion of fraud
- Prosecution – appetite of the government of the day?

Complex fraud

- The \$3.4m fraudster had already been sentenced to jail in two other countries
- Close working relationships with agencies internationally
- Bio metrics – e.g. iris screening/finger printing
- Non-passive welfare system