



**MINISTRY OF SOCIAL  
DEVELOPMENT**

TE MANATŪ WHAKAHIATO ORA

02 February 2022

Dear

On 21 October 2021, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- *Can MSD confirm, please, if it has incurred any additional internal and external costs for investigations/reviews/checks into wage subsidy scheme breaches? In MSD material I see references to using existing investigations staff and seconding nine people from the IRD. But as part of this work, has MSD, for example, created any new jobs or employed any short-term contractors? If so, please provide details and costs. The time period of my request is the life of the wage subsidy scheme.*

The Wage Subsidy Scheme has enabled rapid support for thousands of New Zealand businesses during this time of uncertainty and has ensured that employees are able to remain connected with their employers during COVID-19 lockdowns. The scheme was set up on a high-trust model in order to quickly deliver funds to support workers, families and businesses. With that came a higher risk that payments could be made to businesses or employers that were not eligible. The Government made a decision on those risks at the time.

We take our duty to taxpayers seriously when it comes to addressing compliance with the Wage Subsidy Scheme. The Ministry has carried out an extensive range of work in order to identify and investigate possible wage subsidy fraud or incorrect payments. These measures have included targeted payment reviews and investigations and follow-up action on complaints.

In late March 2020, Ministers with delegated authority approved funding for the Wage Subsidy Scheme (WSS) to the Ministry of Social Development of \$18.866 million across 2019/2020 and 2020/2021. This funding was for Information Technology (IT) improvements and 199 additional staff (FTE) who were funded to work solely on the Wage Subsidy for that time, including 10 FTE to assist with Wage Subsidy integrity checks.

The Ministry also sourced expert staff from other agencies to support Wage Subsidy integrity work. To date this has included:

- up to 11 FTE from the Department of Internal Affairs (DIA) primarily in May 2020, funded by DIA,

- up to 25 FTE from Inland Revenue (IR) at any one time between June 2020 and October 2020, funded by IR, and
- an additional nine FTE from IR from July 2021 which were seconded to and funded by the Ministry. This reduced to five FTE from 24 September 2021. As at 22 September 2021, a total of \$202,349.61 (including GST) has been invoiced by IR for these staff.

The Ministry continues to recruit additional Investigator resources to support ongoing demands due to COVID-19.

The Ministry has also engaged Deloitte to assist with forensic accounting services as part of the Ministry's investigative processes for the Wage Subsidy. As at October 2021, a total of \$92,227.16 (including GST) has been invoiced for this work.

Crown Law and Meredith Connell are engaged to assist MSD Legal with legal advice. To date approximately \$1,006,789.50 in legal costs has been accrued in relation to advice on establishing investigation and recovery approaches specific to the Wage Subsidy Scheme, noting that the legal basis for Wage Subsidy investigations and recovery is quite different to that for benefit fraud investigations. This cost has included supporting the development of specific Wage Subsidy integrity and investigation guidance, advice on specific investigation cases, supporting referrals of decisions for enforcement action to be taken, and advice related to the integrity of the schemes. This work is ongoing as the Ministry continues to conduct integrity checks and investigations for recipients of the Wage Subsidy.

Around 500 investigations of varying complexity are underway. The Ministry is also committed to prosecutions where that is appropriate, and a full investigation is required prior to any charges being laid. Charges have been laid in two cases to date and an additional ten cases have been referred to the Serious Fraud Office.

The Ministry employs around 100 FTE investigators that typically focus on benefit fraud related work. Around 50% of these staff continue to support Wage Subsidy investigations, however the Ministry may shift resources between benefit integrity and Wage Subsidy integrity work as required. The Ministry will continue to progressively transition additional integrity staff back into benefit integrity work as Wage Subsidy cases are finalised.

The work of maintaining integrity of the Wage Subsidy has contributed to the recovery of around \$785,000,000 (as at 7 January 2022) in Wage Subsidy funds.

The principles and purposes of the Act 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
- 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. 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, 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

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

George van Ooyen  
**Group General Manager**  
**Client Service Support**