



17 DEC 2020

Dear [REDACTED]

On 2 November 2020, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

1. *How much money has been spent on the audits of the wage subsidy scheme?*
2. *What has this money been spent on?*
3. *Are all the people working on the audits MSD employees? – if not, where are they being sourced from, what are their roles, how long are they employed for?*
4. *What is the criteria for audits to be investigated further?*
5. *Which companies have been subject to targeted audits?*
6. *How much was spent on welfare fraud over the past year?*
7. *How much was recovered through the investigations?*

On 30 November 2020, the Ministry contacted you to advise you that more time was needed to make the necessary consultations in order to respond to your request.

For the sake of clarity, I will address each of your questions in turn.

1. *How much money has been spent on the audits of the wage subsidy scheme?*
2. *What has this money been spent on?*

The Ministry has approximately 100 Fraud Intervention Services staff assigned to carry out Wage Subsidy Scheme audits in conjunction with other work in the Integrity and Debt space. Because of this we are not able to isolate the cost of resources directly related to Wage Subsidy Scheme auditing. For this reason, your request for this information is refused under section 18(e) of the Act as this information does not exist or, despite reasonable efforts to locate it, cannot be found.

As mentioned above, the majority of money spent on wage subsidy audits have gone towards the salaries of the staff completing his work.

3. *Are all the people working on the audits MSD employees? – if not, where are they being sourced from, what are their roles, how long are they employed for?*

The Ministry has around 100 Fraud Intervention Services staff completing audits and responding to cases of potential fraud. There are also additional support staff (i.e. Technical Officers) and Managers involved in this work, as needed. Up to 25 Inland Revenue Compliance Specialists have also been involved in supporting the Ministry at

any one time from May 2020 up until 27 October 2020 and up to 11 staff from Department of Internal Affairs, assisting with random and targeted audits.

#### *4. What is the criteria for audits to be investigated further?*

When assessing the distribution of the COVID-19 wage subsidy, the Ministry audits the business or individual that applied to ensure that it was paid correctly.

There are pre-payment audits (for large employers and higher risk applications for the wage subsidy extension and wage subsidy resurgence payments) and post-payment audits including random and targeted audits. The two processes are the same except the pre-payment audit is to decide whether to approve the subsidy, whereas the post-payment audit is to assess whether the subsidy was correctly paid.

The Ministry also responds to allegations of wage subsidy misuse received through the coordinated complaints process (across the Ministry, Ministry of Business, Innovation and Employment and the Inland Revenue Department), and resolution of these may involve an audit or investigation.

The audit process considers all aspects of an applicant's entitlement. These are desk-based audits which can involve reviewing open source information, contacting the applicant to discuss their eligibility and contacting other agencies to confirm information.

Responses to audits are on a case-by-case basis, depending on:

- Does the applicant understand their obligations?
- Does the applicant meet the qualification criteria?
- Does the applicant know they must pass the wage subsidy on to employees?
- Has there been a payment in excess of entitlement?
  - If so, an assessment would be completed, and the employer would be advised of the amount of any refund required.
- What is the nature of how any overpayment may have occurred?
- Is there evidence of fraud, i.e. providing false information or deliberately withholding information?
  - If so, the matter would be referred for investigation.

#### *5. Which companies have been subject to targeted audits?*

Although a targeted audit does not necessarily mean the business in question has acted fraudulently, the release of the business's name as being subject to a targeted audit may have a negative impact on their reputation through public perception. For this reason, I am refusing your request for a list of companies that have been subject to a targeted audit under section 9(2)(b)(ii) of the Act as, if released, it would be likely to prejudice the commercial position of the person who supplied or who is the subject of the information. The greater public interest is in ensuring that the commercial position can be maintained.

There have been 10,540 audits completed as at 20 November 2020; this includes pre-payment audits, as well as random and targeted audits. In order to provide this information, the Ministry would need to divert personnel from their core duties and allocate extra time to create such a list. The diversion of these resources would impair

the Ministry's ability to continue standard operations and would be an inefficient use of the Ministry's resources. As such, your request is also refused under section 18(f) of the Act, as it requires substantial collusion. 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.

*6. How much was spent on welfare fraud over the past year?*

The total amount spent on welfare fraud which includes wage Subsidy fraud, for the previous financial year from July 2019 to June 2020 was \$14,081,618.63. This amount covers the direct operational costs for Fraud Services excluding overhead costs.

*7. How much was recovered through the investigations?*

In relation to general welfare investigations, the Ministry has a variety of reporting tools available to look at debt and refunds. Each reporting method has its own strengths and limitations and serves different purposes for the Ministry.

Benefit clients may accumulate debt for a range of reasons. When a client changes the benefit they are receiving, or exits the benefit system, any debt they had, whether from fraud, overpayments or any other reason, is aggregated into one total debt in our system and cannot be disaggregated. Because of this we cannot provide a breakdown of debt and refunds.

Our wage subsidy audit programme has indicated that the vast majority of applicants for wage subsidies did the right thing and were paid correctly.

The Ministry informed applicants that they would be required to repay subsidy if they were not or stopped being eligible. Most refunds have been made voluntarily. This may be because they have found that, they did not in fact qualify for the subsidy or, in some cases they decided that they did not require the subsidy despite qualifying for it. There is a range of reasons why a business may make a refund. For example, this may have been where an employer did not fully understand the criteria for payment, they did not suffer the expected loss of revenue or where employees for whom subsidy was paid, subsequently left their employment.

As at 11 December 2020, 398 investigations had been resolved and a further 354 are underway. 148 investigations resulted in a request for repayment, totalling \$2.9m. To date, \$89,352 has been received.

This does not include repayments requested or recovered as a result of an audit or allegation.

As at 11 December 2020, from across audits, investigations and allegations, \$44.6m had been requested and \$21.3m has been received. A total of \$536.4m of wage subsidy had been refunded.

It should be noted, that even though employers have repaid money to the Ministry, it does not mean they did not follow the rules.

However further Wage Subsidy information, including total repayments, is available under Income Support and Wage Subsidy Weekly Update at: [www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/reporting-archive.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/reporting-archive.html).

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
- 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 regarding Wage Subsidy audits, 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



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Service Delivery**