



23 JUL 2020

Tēnā koe

On 28 May 2020, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982, the following information:

- 1. Number of random audits and targeted audits*
- 2. A breakdown of results of those random and targeted audits*
- 3. The number of complaints or allegations received, and the number resolved/upheld*
- 4. How much has been paid back to the government by businesses who breached the rules*
- 5. How much from companies volunteering the money back after better than expected performance.*

The Wage Subsidy Scheme has enabled rapid support for thousands of New Zealand businesses during this time of uncertainty. Initially, the Wage Subsidy ensured that employees were able to remain connected with their employers during the COVID-19 lockdown. At present, employers who are still significantly impacted by COVID-19 after the initial Wage Subsidy ended, are able to continue paying their employees through the Wage Subsidy Extension Payment.

The Government has previously made it clear that the Wage Subsidy Scheme has been set up on a high-trust model, in order to deliver funds to support workers, families and businesses.

As part of the Wage Subsidy application process, businesses were required to sign a declaration that they had met the scheme's eligibility criteria, including that they experienced, or expected to experience, a revenue drop. The declaration is extensive and includes agreement that the details in the application may be verified with other agencies, obligations in terms of the subsidy, and consequences of non-compliance.

Furthermore, prior to accepting an application, the Ministry does pre-payment checks with Inland Revenue (IR) and across existing Wage Subsidy grants. For employers with 80 or more employees, the Ministry does additional pre-payment checks to ensure key criteria are met and employers understand their obligations. When the Ministry is satisfied with this, the application is approved, and appropriate payment is made.

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

- 1. Number of random audits and targeted audits*
- 2. A breakdown of results of those random and targeted audits*

As you are aware, the Ministry has an audit process in place to identify cases that may require further investigation. Random audits are being undertaken, as well as targeted audits based on data mining. The purpose of this process is to provide assurance that the Wage Subsidy Scheme is being used responsibly. The Ministry is engaging directly with employers to talk about their situation and confirm they understand the rules and obligations for receiving the payment.

To enable the Ministry to identify the areas to focus its audit activity on, and to inform which applications need to be referred for investigation and possible enforcement action, a variety of other tools and processes are utilised, including working with IR to match and analyse data.

In the vast majority of cases, employers are doing the right thing. In many cases where entitlements have been wrongly claimed, it is due to uncertainty about eligibility criteria, rather than deliberate attempts at deception. There will be exceptions to that and there are a number of cases that the Ministry is looking into further.

Where employers have claimed money they are not entitled to, we have a number of avenues open to us, including requesting repayment. In the most serious cases where there is evidence of deliberate fraud, we will consider criminal prosecutions.

Figures provided in this response are as at June 2020.

Please see below **Table One** in response to question one and two of your request.

Table One: Number of Wage Subsidy Audits commenced and resolved as at 30 June 2020, broken down by audit category

Wage Subsidy Audits	Commenced	Resolved
Prepayment Audits (Employers with 80+ Employees)	1,725	1,725
Post Payment Random Audits	3,777	3,732
Post Payment Targeted Audits	1,979	1,658
Total	7,481	7,115

Notes:

- Prepayment audits are completed for all applicant employers with 80 or more employees.
- Prepayment audit data is up to and including 26 June 2020. All other data is up to 30 June 2020.
- Audits may cover Wage Subsidy, Wage Subsidy Extension, Leave Payment, and Essential Workers Leave Support.

3. The number of complaints or allegations received, and the number resolved/upheld

The Ministry is working alongside the Ministry of Business, Innovation and Employment (MBIE) and IR to manage a complaints process with respect to employment law breaches, compliance with the obligations in the Wage Subsidy and tax law obligations.

The Ministry currently operates a freephone for members of the public to make allegations of potential fraud, including potential fraud against the Wage Subsidy. Allegations may also be received by mail, in person or electronically.

Should anyone suspect potential fraud, they can also submit an enquiry online. More information about this can be found on the Work and Income website here: www.workandincome.govt.nz/about-work-and-income/contact-us/report-suspected-fraud/index.html.

In response to question three of your request, please see **Table Two** below.

Table Two: Number of allegations the Ministry has received and resolved regarding a potential breach of the Wage Subsidy employer obligations as at 30 June 2020, broken down by the outcome

Allegations	Received	Resolved
Allegations Received	2,750	1,439

4. *How much has been paid back to the government by businesses who breached the rules*
5. *How much from companies volunteering the money back after better than expected performance.*

A business that applied and was granted a sum based on a predicted revenue is allowed to wait to see if a predicted loss actually occurs over the period January to June 2020 before deciding whether it should repay. If the loss is never realised, the business would need to repay the whole amount because they were never eligible. A business can also make a voluntary repayment if they are confident a revenue loss will not arise.

Employers make a formal declaration at the time they apply for the a COVID-19 subsidy. The Ministry notifies them at that time that they may be subject to civil proceedings for the recovery of any amount received that they are not entitled to.

As indicated above, employers could face prosecution for offences under the Crimes Act 1961 if they have provided false or misleading information; failed to meet any of the obligations about how to use a COVID-19 subsidy; or received any COVID-19 subsidy or part of a COVID-19 subsidy they were not entitled to.

Please see below **Table Three** in response to questions four and five of your request.

Table Three: Amount of Wage Subsidy refunds received as at 30 June 2020

Refunds received	Amount
Employer initiated refunds	\$222.8m
Refunds following allegation/audit/investigation	\$6.2m
Total	\$229m

Notes:

- Where a refund has been made, whether voluntarily or following audit, this does not mean that the employer has acted inappropriately or "breached the rules."
- Money refunded may not necessarily be due to better than expected performance.

Please note, the Ministry is unable to provide you with the amount received from companies volunteering the money back after a "better than expected performance" as information to this level is not centrally recorded and is held in notes on individual case files. In order to provide you with this information, Ministry staff would have to manually review thousands of files.

As such, this aspect of your request is refused under section 18(f) of the Official Information Act. 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 this aspect of 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.

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 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.

If you are not satisfied with this response regarding COVID-19 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 or 0800 802 602.

Nāku noa, nā



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