



15 JUN 2021

Dear

On 17 May 2021, you emailed the Office on Hon Carmel Sepuloni, Minister for Social Development and Employment (the Minister), requesting, under the Official Information Act 1982 (the Act), the following information:

- *I was informed by an MSD staff member that 'audits' were going to be carried out for every single payment advanced. If that is the case, I would be interested to know what percentage of funds advanced, and what percentage of all the advances, have already been audited, and what is the planned completion date for this programme?*

On 18 May 2021, the Ministers office transferred your request to the Ministry of Social Development (the Ministry) to respond as the information you have requested is operational in nature.

The Wage Subsidy Schemes have enabled rapid support for thousands of New Zealand businesses during a time of uncertainty and have ensured that employees are able to remain connected with their employers during COVID-19 lockdowns.

The Government has previously made it clear that the original Wage Subsidy Scheme was set up on a high-trust model, to ensure support for those suffering the immediate economic impacts of COVID-19.

Over the period the Wage Subsidy Schemes were available, the Ministry processed more than 900,000 Wage Subsidy applications to support 1.7 million jobs.

As part of the application, businesses were required to sign a declaration that they had met the scheme's eligibility criteria. This included revenue-related obligations required to be met for an applicant to be entitled to a payment. The declarations are extensive and include an agreement that details in the application may be verified with other agencies, obligations in terms of use of the subsidy, and consequences of non-compliance.

The declarations for each of the respective COVID-19 Wage Subsidies can be found on the Ministry's website at the following links:

- www.workandincome.govt.nz/online-services/covid-19/declaration-wage-subsidy.html (for the original Wage Subsidy on or after 4pm 27 March 2020).
- www.workandincome.govt.nz/online-services/covid-19/wage-subsidy-declaration.html (for the original Wage Subsidy before 4pm 27 March 2020).

- www.workandincome.govt.nz/online-services/covid-19/declaration-wage-subsidy-extension.html.
- www.workandincome.govt.nz/online-services/covid-19/declaration-resurgence-wage-subsidy.html.

The application process for the original Wage Subsidy consisted of pre-payment checks where validation of business and employee details with Inland Revenue and checks across previous Wage Subsidy applications were carried out before payment could be made. The Ministry also conducted both random and targeted post-payment integrity checks to identify cases requiring repayment or further investigation. Targeted checks were based on joint risk analysis conducted with Inland Revenue.

For the Wage Subsidy Extension and Wage Subsidy Resurgence payments, enhancements were made from 10 June 2020 to ensure pre-payment checks would also be applied to any application that met one or more risk criteria, based on joint risk analysis conducted with Inland Revenue. These applications were exceptioned out pre-payment and, for the March 2021 scheme, verification of the experienced revenue reduction was requested before payment was made.

The Ministry's integrity programme for the Wage Subsidy Schemes is ongoing. From this work we have found that in the majority of cases employers did the right thing. In many cases where entitlements have been wrongly claimed, it is due to uncertainty about the eligibility criteria, rather than deliberate attempts at deception.

The Ministry has paid out \$14 billion across the initial Wage Subsidy Scheme, the Wage Subsidy Extension, Wage Subsidy Resurgence and Wage Subsidy March 2021. Of the \$14 billion, around \$5.8 billion was either subject to large employer pre-payment integrity checks or applied for following the implementation of enhanced integrity controls (from 10 June 2020).

An estimated \$1.1 billion in applications from the initial Wage Subsidy Scheme, the Wage Subsidy Extension, and Wage Subsidy Resurgence payments has also been subject to post-payment integrity checks, including targeted checks based on risk criteria and investigating allegations of Wage Subsidy misuse. Targeted post-payment checks for the March 2021 subsidy are due to commence from June 2021.

As such, we therefore consider nearly 50 percent of total Wage Subsidy expenditure (\$6.9 billion) has been subject to higher integrity controls. I can confirm that as at 4 June 2021, the Ministry has completed 11,592 pre and post-payment integrity checks, resolved 4,960 allegations of wage subsidy misuse and referred 1,039 cases for investigation, of which 501 investigations have been resolved. The Ministry has also requested 22,639 refunds totalling \$773.2m, of which \$722.0m has been received.

If a person believes that an employer has acted unlawfully, then they can contact the Ministry and advise on the full circumstance of a matter. The relevant form can be found at the following link, and by choosing Benefit or Wage Subsidy Fraud Allegation in the drop down list: <https://www.workandincome.govt.nz/about-work-and-income/contact-us/report-suspected-fraud/index.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 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 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.

Yours sincerely



George Van Ooyen
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Client Service Support