



17 NOV 2020

On 22 October 2020, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

1. *How many Wage Subsidy audits has the Ministry completed?*
2. *Of those audits, how many were found to have complied with the scheme's criteria?*
3. *How many were found to have breached the terms, and how much money does this amount to?*
4. *How many businesses are opposing or challenging requests for repayment?*
5. *And in these instances, what action has the Ministry taken?*

The COVID-19 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 the COVID-19 lockdown.

The Wage Subsidy Scheme ran on a high-trust model in order to ensure that the money reached businesses and employees as soon as possible. As part of the Wage Subsidy application process, businesses were required to sign a declaration that they had met the scheme's eligibility criteria. The declaration is extensive and includes 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.

Employer Declaration – on or after 4pm 27 March 2020:

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

Employer Declaration – before 4pm 27 March 2020:

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

To identify cases that may require further investigation, the Ministry has an audit process in place. This is led by a team of Fraud Intervention Services staff, with support from Inland Revenue. Random audits are being undertaken, as well as targeted audits based on data mining. If these audits result in adverse findings, the Ministry will pursue these as appropriate.

Where employers have claimed money they are not entitled to, the Ministry has a number of avenues open to it, including requesting repayment. In the most serious

cases, where there is evidence of deliberate fraud, the Ministry will consider criminal prosecutions.

Regarding **question one**, as at 23 October 2020, the Ministry has completed 10,401 audits of the Wage Subsidy Scheme. Of these, 1,789 were pre-payment audits completed for businesses with 80 or more employees and 1,990 were pre-payment exceptions of higher risk applications for the Wage Subsidy Extension and Wage Subsidy Resurgence, where the application appeared to pose some integrity risk based on previous applications for the Wage Subsidy Scheme. The remaining 6,622 audits represent random and targeted post-payment audits across the Schemes that have been completed.

As for **question two and three**, the Ministry's audit programme of the Wage Subsidy Scheme has found that, in the vast majority of cases, employers are following the scheme's criteria. The Ministry has found that 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 understands that there will be exceptions to that and there are a number of cases that are being looked into further.

As at 23 October 2020, the Ministry has found that of the 6,622 random and targeted audits completed, 996 businesses had been identified as requiring a partial or full repayment of the Wage Subsidy Scheme. There have been 3,651 resolved allegations to the Ministry about Wage Subsidy misuse, with 622 businesses being identified as requiring a partial or full repayment of the Wage Subsidy Scheme. There have been 310 investigations that the Ministry has resolved, with 107 businesses being identified as requiring a partial or full repayment of the Wage Subsidy Scheme. The Ministry can also confirm that 577 repayments have been received as a result of a random or targeted audit. These repayments amount to \$19.1m.

Regarding **question four**, this information is not part of the Ministry's standard reporting on auditing processes. This information may be held in notes on individual case files and the Ministry would have to manually review thousands of Wage Subsidy applications in order to provide it. As such, this section of your request is refused under section 18(f) of the 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 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.

Regarding **question five**, I am able to advise you that the Ministry's general approach when dealing with cases of this nature is to ask applicants to repay the subsidy. However, in the most serious cases, where there is evidence of deliberate fraud, the Ministry will consider criminal prosecutions. There have been no prosecutions as at 22 October 2020, and any decisions on prosecutions will come after a thorough investigation.

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 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
**Group General Manager, Client Service Support
Service Delivery**