



Report

Date: 10 February 2021

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development and Employment

Wage Subsidy Scheme: quarterly update on our on-going approach to audits and integrity

Purpose of the report

- 1 This report provides an update on the Ministry of Social Development's (MSD) approach to integrity of the Wage Subsidy Schemes (WSS).
- 2 This is the third quarterly report (to 31 December 2020).

Executive summary

- 3 The majority of identified WSS integrity checks have been completed and we are now transitioning some resources back to Client Integrity work.
- 4 Our WSS enforcement and recovery framework has been developed and investigations are progressing.
- 5 We will provide further information to your office on relevant enforcement and recovery activity as it progresses.
- 6 The next quarterly report (to 31 March 2021) is due in April 2021.

Recommended actions

- 7 It is recommended that you:
 - a) **agree** to forward a copy of this report to the Minister of Finance.

agree / disagree

Viv Rickard
DCE Service Delivery

Date

Hon Carmel Sepuloni
Minister for Social Development and
Employment

Date

Audit and integrity of the Wage Subsidy Schemes progress

8 In December 2020, for the quarterly report to 30 September 2020, we reported that:

- the majority of our Fraud Intervention Services (FIS) resources have been focused on WSS integrity work
- our management of WSS audits and complaints was expected to be largely completed by 23 December 2020 by focusing most FIS resources on these areas of work
- we expected to gradually shift some resources back to Client Integrity (prevention, early intervention and investigation) work from early 2021 unless further auditing is required i.e. if new integrity risk behaviours or indicators are identified or new schemes are established
- it is likely that between 40 and 50 FIS staff will still be required to manage WSS investigation activity from January 2021, at least in the short term
- WSS fraud investigations may continue for up to 12 to 18 months due to the complex nature of some investigations and where criminal and civil enforcement and recovery action is contemplated
- to ensure we are consistent in applying the criteria for progressing cases for criminal and civil enforcement and recovery we are documenting our decision making framework.

The majority of Wage Subsidy integrity checks are completed

9 As at 31 December 2020, there were nominal identified integrity issues (WSS audits or complaints) still to be assigned to FIS staff for follow up.

10 We are transitioning some FIS resources back to Client Integrity work i.e. our early intervention, facilitation and investigative responses to allegations of benefit and housing fraud.

11 As previously reported, a significant proportion of FIS staff will continue to manage WSS investigations and these may continue for 12 – 18 months.

12 As at 31 December 2020, there were 982 WSS cases referred for investigation. Of these, 345 cases were underway, and 222 cases were waiting to be assigned. New cases may be identified for investigation as we finalise the remaining WSS integrity checks and continue to address any WSS complaints received. The number of WSS complaints received across MBIE, IR and MSD, has reduced significantly following the closure of the Schemes.

13 As at 18 December 2020, a total of 11,824 complaints had been received by the three agencies, with only 103 new complaints lodged between 20 November and 18 December 2020.

14 See Appendix 1 for quarterly WSS audit programme volumes.

We have developed our enforcement and recovery approach

15 We have worked with Crown Solicitors Meredith Connell to build our approach to civil enforcement, criminal prosecution and the recovery of WSS payments.¹

16 This includes:

- upskilling FIS staff to progress investigations within a different legislative framework i.e. the Crimes Act 1961, the Criminal Proceeds (Recovery) Act 2009

¹ Because WSS payments are not paid under the Social Security Act 2018, we have not been able to rely on our usual powers to gather evidence for WSS investigations or collect WSS repayments.

- working with Police to gather evidence using Production Orders under the Search and Surveillance Act 2012
 - finalising our enforcement and recovery decision-making framework to outline where criminal or civil enforcement and recovery actions are appropriate, and ensure these decisions are made robustly and consistently
 - developing guidance and processes for staff to support their work within the framework
 - establishing a WSS Recovery and Response Panel to apply the Public Interest Test (as per the Solicitor-General Guidelines) on cases recommended for criminal prosecution, and to make decisions on civil enforcement and recovery responses where appropriate.
- 17 See Appendix 2 for our WSS Enforcement and Recovery framework. The framework will be reviewed and updated as appropriate as enforcement and recovery activity progresses.
 - 18 The WSS Recovery and Response Panel will convene on 22 February 2021 to consider the first cases recommended for enforcement and/or civil recovery.
 - 19 We will provide further information to your office on enforcement and recovery decisions taken.
 - 20 The next quarterly report (to 31 March 2021) is due in April 2021.

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Author: Outside Scope, Team Manager Information & Advice, Integrity and Debt

Responsible manager: Warren Hudson, General Manager, Integrity and Debt

Appendix 1: Quarterly WSS audit reporting update

	As at Friday 26/06/20	As at Friday 25/09/20	As at Friday 18/12/20
Pre-payment audits completed (80+ employees)	1,725	1,789	1,789
Value of pre-payment audits (80+ employees)	\$2.9b	\$3.0b	\$3.0b
Pre-payment exception audits completed (WSX/WSR)	Nil	1,502	2,075
Post-payment audits completed (random and targeted)	5,723	6,469	7,308
Total audits resolved	7,448	9,760	11,172

Total complaints	8,269	11,123	
MSD complaints received	2,690	4,095	4,631
MSD complaints resolved	1,366	3,124	4,534

Referred for investigation	449	802	982
Investigations underway	91	331	345
Investigations resolved	Nil	253	415

Employer-initiated refunds requested	11,354	16,842	17,962
MSD-initiated refunds requested	636	1,417	2,401
Total refunds requested	11,990	18,259	20,363
Value of refunds requested	\$309.7m	\$478.1m	\$594.7m
Refunds received	7,146	15,713	17,695
Value of refunds received	\$204.9m	\$457.8m	\$541.3m

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