



26 JUN 2020

Dear [REDACTED]

On 29 May 2020, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information relating to financial relief schemes during the COVID-19 pandemic:

1. *The number of investigations into suspected fraudulent behaviour carried out so far by the Ministry of Social Development, including the number of audits resulting in no action, the number resulting in prosecution, and the number of successful prosecutions.*
2. *Can the Ministry provide clear statistics on what benefits specifically it alleges people/companies have gained unlawfully?*
3. *Can the Ministry please provide any examples of companies or persons that it alleges have been acting fraudulently by claiming funds the Ministry believes it/they have unfairly claimed benefits?*
4. *Can the Ministry provide all briefings, reports, aide memoires, or emails to the Minister for Social Development in relation to COVID-19 fraudulent behaviour, since February 2020?*

On 2 June 2020, part four of your request (*Can the Ministry provide all briefings, reports, aide memoires, or emails to the Minister for Social Development in relation to COVID-19 fraudulent behaviour, since February 2020?*) was transferred from the Ministry to the Office of the Minister for Social Development, Hon Carmel Sepuloni. You will receive a response from the Minister to part four of your request in due course.

Please take note of the following information regarding the application verification procedures and the Ministry's audit process:

When undertaking pre-payment checks, the Ministry seeks validation with Inland Revenue to confirm details including the employer's IRD number, the employee's IRD numbers, the business name and the number of employees to ensure the Ministry is only making payments to genuine businesses and employees.

In addition, since 30 March 2020, the Ministry has been doing reviews of all employers claiming COVID-19 subsidies for 80 employees or more, including contact from the Ministry's officers prior to payment to ensure the application is accurate.

The Ministry has an audit process to identify cases that may require further investigation. Random audits are being undertaken, as well as targeted audits based on data mining.

A business that received a COVID-19 Wage Subsidy based on a predicted revenue loss is entitled to wait to see if the 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 later determine that the predicted 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.

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.

For the sake of clarity, I will answer your questions in turn:

- 1. Relating to the government's financial relief schemes during the COVID-19 pandemic, the number of investigations into suspected fraudulent behaviour carried out so far by the Ministry of Social Development, including the number of audits resulting in no action, the number resulting in prosecution, and the number of successful prosecutions*

As at 17 June 2020, a total of 7,198 audits had been initiated and of these, 6,844 of these had been resolved. The Ministry has around 100 fraud investigators who completed these audits. It is important to note that audits may be initiated based on the Ministry's own decision or following allegations from members of the public.

Please also note that the total number of audits (7,198) mostly refers to audits that were undertaken into COVID-19 Wage Subsidy payments. A small number of audits have included COVID-19 Leave Payment. The COVID-19 Leave Payment was available from 17 March 2020 until 27 March 2020.

As at 17 June 2020, 556 cases (from audits, allegations and investigations combined) resulted in requests to businesses for repayments. Please note, this does not include the number of refunds requested in response to self-motivated refund offers from employers.

As at 17 June, 58 investigations had been commenced. None of these investigations had been resolved and none have been referred for prosecution yet.

- 2. Relating to the government's financial relief schemes during the COVID-19 pandemic, can the Ministry provide clear statistics on what benefits specifically it alleges people/companies have gained unlawfully?*

Please note, as specified earlier, no investigation has yet been closed. Therefore the Ministry is currently unable to advise whether applicants acted 'unlawfully', as the unlawfulness of the applicant's behaviour has not yet finally been assessed in any audit

or investigation. This also applies to audits that resulted in a refund. Refunds may also be requested in cases where the applicant applied in good faith although it retrospectively turned out that the applicant was not entitled to a COVID-19 subsidy.

I am therefore refusing this part of your request under section 18(g) of the Official Information Act as the information you have requested is not held by the Ministry and I have no grounds to believe that the information is held by another department or Minister of the Crown or organisation.

3. *Can the Ministry please provide any examples of companies or persons that it alleges have been acting fraudulently by claiming funds the Ministry believes it/they have unfairly claimed benefits?*

The Ministry does not release information about current investigations following COVID-19 subsidy audits. This information is withheld under section 6(c) of the Act as making it available would be likely to prejudice the maintenance of the law. The prejudice will occur as a result of publishing the names of businesses involved in the audit and the risk which this creates for some businesses to take actions which would complicate the Ministry's ability to prevent, investigate and detect offences committed in relation to the Wage Subsidy Scheme.

In addition to that and as stated above, the Ministry has not concluded any investigation and is therefore unable to report conclusively on 'unlawful' behavior. Any formal allegations of fraud would only arise at the point the Ministry took a decision to refer a matter for prosecution. This part of your request is therefore refused under section 18(g) of the Act.

Please note that, Wage Subsidy related audits and/or repayments do not mean that an employer had intentionally tried to mislead the Ministry. A discussion with the Ministry may have clarified their entitlement and confirmed they did not qualify, or that they qualified for a lesser amount. The initial application could well have been made in good faith. The Ministry's auditing to date has found that in the vast majority of cases, employers are doing the right thing.

Please note, information on investigations involving individuals is also withheld under section 9(2)(a) of the Act in order to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.

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](mailto:OIA_Requests@msd.govt.nz).

If you are not satisfied with this response regarding fraudulent behaviour relating to the COVID-19 subsidies, 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

A handwritten signature in blue ink, appearing to read 'George Van Ooyen', with a long horizontal flourish extending to the right.

George Van Ooyen  
**Group General Manager**  
**Client Service Support**