



# Report

Date: 26 January 2022

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 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 seventh quarterly report (to 31 December 2021).

### Executive summary

- 3 MSD continues to shift resources between benefit integrity and Wage Subsidy integrity work as required.
- 4 Our focus for 2022 includes the resolution of outstanding complaints for the August 2021 scheme, post-payment integrity checks for the March 2021 and August 2021 schemes informed by risk analysis undertaken with Inland Revenue (IR), and progressing outstanding WSS investigations and subsequent enforcement decisions.
- 5 Additional Investigators have been recruited to support this work.

### Recommended actions

- 6 It is recommended that you:
  - a) **note** our continuing approach to WSS integrity, as outlined in this report
  - b) **agree** to forward a copy of this report to the Minister of Finance.

agree / disagree

  
Viv Rickard  
DCE Service Delivery

26/01/2022  
Date

  
Hon Carmel Sepuloni  
Minister for Social Development and  
Employment

30/01/22  
Date

## Integrity of the Wage Subsidy Schemes

- 7 In October 2021 we advised you that:
- we continued to progress WSS investigations, balancing this against benefit investigation work
  - additional Investigators had been recruited to support this work
  - we had begun planning to undertake risk analysis with IR for both the March 2021 and August 2021 schemes, once the WSSAUG21 scheme ended
  - work continued throughout 2021 to address the Office of the Auditor-General (OAG) recommendations to provide additional assurance over the schemes
  - the Serious Fraud Office (SFO) had accepted the referral of 10 medium and high complexity WSS investigation cases.
- 8 Appendix 1 provides the quarterly WSS integrity programme volumes to the end of the quarter. Due to the Christmas period, the data is up until 17 December 2021. Note, this is point in time operational data which is subject to change as case information or reporting processes are updated.

*We continue to balance Wage Subsidy and benefit system integrity work.*

- 9 Since early 2021 we have been gradually transitioning investigators back to benefit integrity work, and we will continue to shift resources between benefit integrity and Wage Subsidy integrity work as required.
- 10 With the closure of the August 2021 scheme from 9 December 2021, our focus for 2022 includes:
- the resolution of around 600 outstanding WSS complaints and allegations for the August 2021 scheme
  - post-payment integrity checks for the March 2021 and August 2021 schemes, based on risk analysis undertaken with IR. This analysis is expected to be received mid-February
  - progressing outstanding WSS investigations and subsequent enforcement decisions.
- 11 Currently 48 Investigator FTE are focused on progressing WSS investigations. A further 11 staff also support pre-payment integrity checks for the Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP), where the application may pose an integrity risk.

*Investigations into Wage Subsidy misuse are ongoing.*

- 12 As at 7 January 2022, there were 1,120 WSS cases referred for investigation of which 510 have been resolved. Further cases may be referred for investigation as outstanding complaints and allegations are resolved and following post-payment checks based on the risk analysis undertaken with IR for the March 2021 and August 2021 schemes.
- 13 We continue to work with Police to gather evidence to support investigations, via production orders as provided for in the Search and Surveillance Act 2012, and with Crown Solicitors Meredith Connell to review cases to be referred for an enforcement decision.
- 14 Enforcement decisions will continue to be made as further investigations are finalised.
- 15 As reported previously, prosecution charges have been laid in the Auckland District Court in two cases to date. Initial hearings have been adjourned until 16 February 2022 and 4 March 2022.

*Work to provide assurance over the schemes continues*

- 16 In response to recommendations from Audit NZ and the OAG, work has been underway to provide further assurance over the WSS integrity programme.

- 17 This includes:
- testing the reliability of a sample of post-payment assurance work (random integrity checks) carried out for the original Wage Subsidy scheme against documentary evidence held by applicants
  - seeking written confirmation from applicants of compliance with the eligibility criteria and obligations for the original scheme.
- 18 Completion of both pieces of work were delayed due to the need to divert resources to support the implementation and administration of the August 2021 scheme.
- 19 As recommended by Audit NZ in their annual audit report to 31 June 2021, MSD will "analyse the results of all integrity and assurance work undertaken to date to inform a risk-based assessment of next steps, and what further integrity work needs to be completed, if any, to strengthen the integrity of the scheme. For example, further consideration of data exercises where sampled exceptions had led to recovery."
- 20 This analysis is expected to be completed in the first half of 2022. It will be based in part on the results of work to address the Audit NZ and OAG recommendations and the outcome of the risk analysis conducted over the March 2021 and August 2021 schemes.

### **Next steps**

- 21 The next quarterly report, to 31 March 2022, will be due April 2022.

File ref: REP/22/1/008

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## Appendix 1: Quarterly WSS integrity reporting update\*

	As at Friday 25/09/20	As at Friday 18/12/20	As at Friday 30/04/21	As at Friday 25/06/21	As at Friday 24/09/21	As at Friday 17/12/21
Total integrity checks resolved	9,760	11,172	11,517	11,614	13,274	14,030
Pre-payment integrity checks completed (80+ employees)	1,789	1,789	1,848	1,849	3,002	3,073
Pre-payment exception checks completed (WSX/WSR/WSSMAR21/WSSAUG21)	1,502	2,075	2,558	2,602	3,069	3,738
Post-payment checks completed (random and targeted)	6,469	7,308	7,111	7,163	7,203	7,219
Total complaints (MSD, MBIE, IR)	11,123	11,824	12,230	12,401	14,101	16,249
MSD complaints received	4,095	4,631	4,910	5,022	5,470	5,983
MSD complaints resolved	3,124	4,534	4,897	5,003	5,177	5,373
Referred for investigation	802	982	1,028	1,041	1,061	1,120
Investigations resolved	253	415	477	518	539	510***
Total refunds requested	18,259	20,363	22,286	22,777	22,925	24,437
Employer-initiated refunds requested	16,842	17,962	19,318	19,624	19,696	21,072
MSD-initiated refunds requested	1,417	2,401	2,968	3,153	3,229	3,365
Value of refunds requested	\$478.1m	\$594.7m	\$813.1m**	\$778.5m	\$797.9m	\$827.1m
Repayments received	15,714	16,467	17,904	18,414	20,020	21,705
Value of refunds received	\$461.5m	\$544.1m	\$705.2m	\$724.8m	\$750.3m	\$781.0m

\*This is point in time operational data which is subject to change as case information or reporting processes are updated

\*\* An error occurred in the recording of refunds resulting in figures being overstated. This has been rectified, including in refund data on MSD's website

\*\*\*Investigations resolved cases may be reopened when new information is received, as part of quality assurance processes, or where the recipient has not engaged on their wage subsidy debt and further action is being considered.