



14 March 2023

Tēnā koe

On 6 December 2022, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- *In a MSD affidavit sworn by Jaqueline Kime in February 2022, the following facts were stated:*

Page 155. 'In early May, when post-payment auditing was predominantly random, only 5% of applications audited required partial or full repayment. By the end of October, predominantly targeted auditing found repayments required in 15% of cases and in 35% of cases for resolved investigations.'

1. *Please advise details of the work carried out that resulted in the 15% and 35% figures.*

Para 12 of the affidavit explanation said that approximately \$18.8b was used to support more than 1.8m jobs.

2. *Please advise how the \$18.8b figure was calculated by stating the total for each iteration of the wage subsidy.*
3. *Please provide any evidence that you have to prove that the money 'was used to support more than 1.8m jobs'. Reserve Bank, IRD and business data shows that most of the money was not used for this purpose and, clearly businesses were overpaid for many weeks when they had normal or above normal revenue and needed no support.*
4. *Please advise how many times since December 2021 the MSD has had to co-operate with the Office of the Auditor-General in order to help them carry out work to determine how the recommendations requiring wage subsidy reviews have been carried out.*

5. *Please provide any reports or recommendations about recovering wage subsidy money overpaid or wrongly obtained or retained that have been received from the Office of the Auditor-General after they have checked the methodology and results of the wage subsidy reviews.*

On 20 January 2023, the Ministry emailed you to advise that more time was required to respond to this request, and the time limit to respond was extended in accordance with section 15(1) and 15A of the Act. The reason for the extension was that consultations necessary to make a decision on the request were such that a proper response to the request could not reasonably be made within the original time limit.

On 15 February 2023, the Ministry notified you that while we had made a decision to grant your request in part, it would take more time to prepare this response for release.

For the sake of clarity, the Ministry will respond to your requests in turn.

1. *Please advise details of the work carried out that resulted in the 15% and 35% figures*

The Ministry maintains cumulative operational reporting over its integrity programme for the schemes. As at 30 October 2020, refunds required had been identified in 1,020 cases out of a total of 6,639 post-payment checks completed (15.4 per cent), and in 111 cases out of 319 investigations resolved (34.8 per cent).

Para 12 of the affidavit explanation said that approximately \$18.8b was used to support more than 1.8m jobs.

2. *Please advise how the \$18.8b figure was calculated by stating the total for each iteration of the wage subsidy.*

As at 1 July 2022, a total of \$19 billion had been spent on supporting businesses to retain and pay their employees through COVID-19 related Wage Subsidy schemes. See **Table One** below showing a breakdown of this amount by the Wage Subsidy schemes available.

Table One: Total amount of Wage Subsidy paid as at 1 July 2022, broken down by scheme type.

Scheme type	Amount
Essential worker	\$25,412,785.20
Isolating Caring or Sick	\$85,205,389.20
Leave Support	\$18,821,259.20
Leave Support December 2021	\$422,550,843.50
Self Isolating	\$20,005,276.20

Short-term absence payment	\$44,368,725.51
Original Wage Subsidy	\$10,948,900,818.9
Wage Subsidy Extension	\$2,573,279,555.9
Wage Subsidy Resurgence	\$317,916,844.78
Wage Subsidy March 2021	\$183,358,409.61
Wage Subsidy August 2021	\$4,790,205,505.8
Total	\$19,430,025,414

3. *Please provide any evidence that you have to prove that the money 'was used to support more than 1.8m jobs'. Reserve Bank, IRD and business data shows that most of the money was not used for this purpose and, clearly businesses were overpaid for many weeks when they had normal or above normal revenue and needed no support.*

The Wage Subsidy Scheme (the Scheme) was first announced on 17 March 2020 as part of the Government's initial package responding to the COVID-19 pandemic and was available from that date.

It was deployed as a high-trust model to deliver funds to support workers, families and businesses. It enabled rapid support for thousands of New Zealand businesses and ensured employees were able to remain connected with their employers during the COVID-19 lockdown.

The Ministry does not report on how many jobs would have been lost if the employee/employer had not received the Wage Subsidy Scheme. The Ministry would need to create information to answer this part of your request in the format you are asking. This would require the Ministry diverting personnel from their core duties and allocate extra time to complete this task. The diversion of these resources would impair the Ministry's ability to continue standard operations and would be an inefficient use of the Ministry's resources.

As such, your request is refused under section 18(f) of the Act, as answering your request requires substantial collation. 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 requests given extra time, or the ability to charge for the information requested. I have concluded that, in each case, the Ministry's ability to undertake its work would still be prejudiced.

In the spirit of being helpful, you may be interested to know that on the Ministry's website, you can find the report *Who received the 2021 COVID-19 wage subsidies?*, at: www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/covid-19/who-received-the-2021-covid-19-wage-subsidies.pdf. The Ministry had conducted an analysis to

understand more about the recipients of the various Wage Subsidies, using collated data including age, gender, industry, and region of recipients.

Please refer to the detail under 'Methodology' and subsequent headings for information on the calculation of the 1.8 million jobs figure for 2020 Wage Subsidies (rounded up from 1.76 million jobs in the report).

4. *Please advise how many times since December 2021 the MSD has had to co-operate with the Office of the Auditor-General in order to help them carry out work to determine how the recommendations requiring wage subsidy reviews have been carried out.*

The Ministry has an enduring relationship with the Office of the Auditor-General (the OAG) and co-operation occurs throughout the year to fulfil our roles.

Since December 2021, engagement with the OAG and Audit New Zealand (in its capacity as the Ministry's auditor acting on-behalf of the OAG) has centred around the annual audit and Parliamentary reporting cycle, i.e. estimates briefing and annual review. As part of this, consideration of the Scheme has occurred.

Given the nature of the annual audit and Parliamentary reporting, the Ministry will provide information and engage with representatives from the OAG and Audit New Zealand regularly throughout the year. However, due to the frequency and nature of these engagements, the Ministry does not retain a record of these interactions. These engagements can range from more formal meetings where the focus is on providing an overview of current activity or what is 'top of mind' by both the Ministry and the OAG and / or Audit New Zealand to brief discussions on a specific matter that relates to the annual audit.

In consultation with the OAG and Audit New Zealand, we have identified five meetings occurring in 2022 that involved discussion of the Scheme. These meetings occurred on: 30 March 2022, 28 July 2022, 2 September 2022, 15 September 2022 and 17 November 2022. Meetings involved participants from the Ministry and the OAG/Audit New Zealand.

Of these five meetings, the Ministry has a record of the final meeting on 17 November 2022. Representatives from the OAG, Audit New Zealand and the Ministry were in attendance. The meeting provided an overview of recent activity relating to the Scheme, with a focus on next steps.

I am providing you with as much information as possible. Where I have decided to grant your request, I have done so by providing you with a summary, of an outline of the conversation, which you can find enclosed in **Appendix One** (section 16 of the Act refers). This outlines the conversation captured in a subsequent email from the Ministry to Audit New Zealand. The Ministry is

ensuring sufficient information is provided to address any transparency and accountability reasons favouring release of the information.

Within the context of the annual audit, the Ministry will provide Audit New Zealand with information regarding the Scheme over the course of the year. This information will predominately take the form of data sets or client related information, rather than coming from a dedicated update on a specific topic. Audit New Zealand will subsequently review this information and carry-out their own analysis to inform their findings and conclusions that are subsequently reported.

5. *Please provide any reports or recommendations about recovering wage subsidy money overpaid or wrongly obtained or retained that have been received from the Office of the Auditor-General after they have checked the methodology and results of the wage subsidy reviews.*

The Ministry has received the following reports from the OAG on the Wage Subsidy Scheme (the Scheme):

- www.oag.parliament.nz/2021/wage-subsidy – published May 2021
- www.oag.parliament.nz/2021/wage-subsidy-progress - published December 2021

Both reports are publicly available on the OAG's website.

In addition, Audit New Zealand have commented on the Scheme as part of their reports to the Chief Executive on the annual audit. To date we have received five reports from Audit New Zealand that include commentary on the Scheme. These are:

- 1. Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2020 (received August 2020)
- 2. Report to the Chief Executive on the audit of the Ministry of Social Development for the year ended 30 June 2020 (received March 2021, noting the report is dated as March 2020)
- 3. Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2021 (received July 2021)
- 4. Report to the Chief Executive on the audit of the Ministry of Social Development for the year ended 30 June 2021 (received December 2021)
- 5. Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2022 (received October 2022).

Relevant extracts from these reports, i.e. relating to the Scheme, are enclosed with this response. Remaining content within these reports relates to other aspects of the annual audit.

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 and
- 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 on the Ministry'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, 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.

Ngā mihi nui



George van Ooyen
Group General Manager
Client Service Support

Extracts from the Audit New Zealand – *Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2020* (Received August 2020)

In the *Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2020*, the Wage Subsidy Scheme is referenced in the following sections:

- Key messages
- Section 2: Wage subsidy scheme.

The relevant extracts of the report are included on the following pages.

From section - key messages on Covid-19 response

COVID-19

The Ministry has played an important role in New Zealand's response to the COVID-19 pandemic. This has involved supporting New Zealanders through a range of support mechanisms, including the wage subsidy scheme. As such, this report primarily focuses on the reporting impact of the Ministry's COVID-19 response, and includes our observations and recommendations to date, including:

- [REDACTED]
- **Wage subsidy** – The Ministry is responsible for administering the wage subsidy scheme and extension (the scheme) as part of the Government's COVID-19 response. The scheme was established using a high trust model. It is important that the Ministry has appropriate follow up assurance procedures in place, given the high trust nature of initial payments. We recommend the Ministry continue to assess its risks around the scheme and identify where follow up assurance is already in place, and where there are gaps to address. This is further discussed in section 3 below.

While the final sentence infers that further consideration occurs in section 3, this actually occurs in section 2. Section 3 relates to Covid-19 considerations (non-wage subsidy).

From section – 2: Wage subsidy scheme

2 Wage subsidy scheme

2.1 Overview

The Government's temporary wage subsidy scheme and extension (the scheme) was designed to support employers and their staff to maintain an employment connection and ensure an income for affected employees during the initial impact of COVID-19. Cabinet agreed the qualifying criteria and directed the scheme be administered at speed using a high trust model. The high trust model meant that the qualifying criteria were not required to be verified prior to payment. The scheme relies on a signed declaration by the applicant stating that they are eligible (self-assessment) and that they will notify the Ministry of any change in circumstances and repay any amounts were they are no longer eligible.

The Ministry is responsible for administering the scheme and is undertaking post payment assurance processes to reduce the risks of the high trust payment model. The Ministry has paid approximately \$12 billion by 30 June 2020 against a total budget for the scheme of \$15 billion.

2.2 Administration of the scheme

As indicated above Cabinet directed under a high trust model that the Ministry was not required to verify the qualifying criteria before payment and therefore the internal controls that we would normally expect in a payment process were not included in the processing of the scheme applications. The high trust model enabled the high pace at which payments were made. Despite the pace of the start up the Ministry, with partner agencies, implemented a series of pre-payment processes to support the integrity of the scheme.

The following processes were implemented prior to the payment:

- IRD numbers of the applicant and employees for some applications were matched with IRD data. The remainder of applications IRD numbers were confirmed via telephone calls with IRD.
- For employers with more than 80 employees an assurance process was completed which included contacting the applicant and confirming the assessment of eligibility and the obligations they have under the scheme (we discuss the pre-payment assurance processes further in point 2.3 below).

- Where IRD data did not match the client was contacted to clarify. The processes were required to record any discrepancies and required resolution of these before payment.
- Only users with administrator access were able to change bank account details.

These processes have incrementally evolved through the delivery of the scheme, for example the method of verification with IRD was one process that evolved from substantially telephonic conversations initially to the use of an IRD portal to complete the verification.

We have already noted above that Cabinet did not require verification of any applications prior to payment. However, this creates a number of risks for the Ministry in relation to these payments.

The Ministry engaged Deloitte to conduct an integrity focussed risk assessment, encompassing Fraud, corruption, Waste and Error of the scheme to identify key risks and control environment opportunities, both for immediate short-term strengthening and longer-term benefits for subsequent Scheme phases and future schemes. The assessment identified some recommendations on the risks identified and their integrity-related observations. We will follow up with the Ministry on the status of implementation of the recommendations as part of our final audit.

We recommend that the Ministry continue to assess its risks around the scheme and identify where follow up assurance is already in place, and where there are gaps. This will ensure that recipients were eligible or amounts returned where recipients are not eligible.

Areas of potential assurance gaps include:

- Bank account details – The Ministry relied upon details provided in applications. We are not aware of any subsequent evidence obtained to support bank accounts paid into.
- Segregation of duties in assessment of applications – Applications were generally processed and approved by one processor.
- Pre-payment processes have incrementally evolved through the delivery of the scheme – As discussed above, where details such as IRD numbers were confirmed via phone call.

Management comment

Noted. No further comments.

The administration of the scheme under pace and pressure required the Ministry to build the processes and policy whilst effectively delivering at an operational level on the scheme at the same time. There is still pressure on the Ministry operationally from the impacts of COVID-19 and this is expected to continue into next year. The significance of the wage subsidy scheme itself presents a learning opportunity at a Ministry and a system level, and a review of the administration of the scheme by the Ministry will enable improvement should there be another such need in the future. We note the Deloitte assessment which was completed during the scheme and recommend that the Ministry should consider completing a full post implementation review of the scheme.

Management comment

Noted.

2.3 Assurance processes

It is important that the Ministry has an adequate follow up assurance programme in place over the scheme, given the high trust nature and number of obligations recipients had as part of the scheme. At the time of this letter we have not seen a combined overall assurance picture around the scheme, which brings together all identified risks and the actions to be taken. However work on a number of areas is underway.

The Ministry have undertaken a number of follow up discussions with applicants. This process was also used to check all large recipients before payment. These processes are akin to a risk assessment and are completed substantially through discussion with entity representatives. Some are then tagged for further investigation. For our audit purposes we are unable to take assurance from these discussions as they centre on the self-assessment of the applicant and as such no additional documentation is submitted for independent assessment of the recipient's eligibility.

The total scheme recoveries (from pre and post processes completed) and voluntary repayments is approximately \$250 million as at the 20 July 2020. It is important for the Ministry to analyse the recoveries to identify any emerging trends or dominant reasons or sectors, which could inform any further targeted work.

We understand from discussions with management that data matching work is being carried out by the Ministry with the assistance of Inland Revenue in a range of areas. The results of this are being drawn together to identify recipients for further targeted follow up.

An assessment of the impact of results to date from post risk assessments completed and the data matching will be important to allow the Ministry to support disclosures in the financial statements for recoveries in relation to the scheme.

We recommend that the Ministry:

- document and consider the overall assurance framework of the scheme against risks arising; and
- make an assessment of the combined results of the each aspect of the Ministry's follow up assurance. This would include the amounts that have been requested/offered to be repaid by recipients to determine the potential portion of recipients that have subsequently not met the obligations under the scheme and the associated value of this.

Management comment

Please note as at 20 July, \$326.2m had been refunded and as at 30 June, \$229m had been refunded.

Given this was a High Trust Model, we took it on good faith that the recipients assessed their eligibility and obligations to use their funding appropriately, i.e. passing it on to employees once they received the funds. Given the nature of the scheme we consider it

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would be difficult to accurately determine the portion of recipients who have not met their obligations. The Ministry will further consider the feasibility of doing this.

2.4 Communication with recipients

Ministers have made clear public statements setting expectations about repayments. The Ministry also has material on its website to inform people about their obligations and has sent some written communications. We have reviewed written communications that have been sent to recipients of the scheme. These have primarily covered communication on applications approved or declined. In addition to this communication has been made notifying recipients of the initial scheme and how to apply for the extension scheme. The Ministry has not requested a positive confirmation of continued eligibility from recipients subsequent to completion of the initial scheme. We note that the Cabinet paper did not require any subsequent communication with recipients after completion of the scheme.

However, the scheme was granted based on estimates of revenue loss made by recipients and recipients also had a number of obligations as part of the scheme. The repayment of amounts by recipients when required was an important mechanism of the scheme's operation due to levels of uncertainty that existed on application.

Seeking re-confirmation will help the Ministry to target the risks around the scheme. In addition, a re-confirmation process enables recipients to comply with requirements of the scheme where they may not have completed a subsequent self-qualification assessment for example the accuracy of their revenue forecasts (that is they did indeed suffer at least a 30% drop in revenue in at least one month during the qualifying period).

We recommend that the Ministry seek positive confirmation (this could be targeted towards larger or risk indicated applicants) from recipients that they have assessed their situation, and confirm that they have subsequently met the requirements of the scheme.

Management comment

Service Delivery are seeking positive confirmation from larger recipients through our audit processes. We are proactively contacting larger businesses prior to payment to seek this positive confirmation and contacted a number of other business through post payment auditing to do the same. The Ministry will consider the feasibility of contacting a broader range of clients.

2.5 Accounting for the scheme

The Ministry must ensure that the accounting for the scheme is in accordance with the applicable accounting framework. The schemes are significant to the annual financial statements and have the following complex accounting considerations:

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- The period covered by scheme payments extends over the year end. This increases the risk on the appropriate recognition point for expense at earlier of payment date or when the relevant conditions are satisfied.
 - The administration of the scheme under a high trust model relied on recipients repaying when their initial estimates have not eventuated or they no longer meet all the requirements of the scheme. In addition, the Ministry's assurance processes have and will continue to identify incorrect or fraudulent applications for recovery. The amounts of recoveries to date is approximately \$250 million and it is likely that this amount is not complete. This increases the risk around estimating the expected amount of recoveries for the scheme at year end.

The Ministry has provided us with its proposed accounting treatment for the above considerations and we are seeking technical accounting advice to confirm our view. We will consider the advice, once completed, and amend our audit approach, if required. We will communicate any required changes to our approach to you separately.

2.6 Audit impacts

We have considered the impact of the scheme on our audit approach (subject to outcome of technical advice in 2.4 above). We have obtained an understanding of the administration and assurance processes in place. As part of our final audit visit we will:

- test a sample of subsidy payments (initial and extended) made against applications received;
- review management's consideration of how assurance procedures and the results of data matching exercise address the business risks related to scheme;
- review a sample of post payment processes to ensure that conclusions requiring further investigation or recovery were appropriately followed through;
- review management's assessment of what amounts should be recognised as a receivable at 30 June (if any) and what disclosures should be made around that (including describing the level of uncertainty) and also the nature and extent of any further disclosures for example contingent asset, recoveries sought/received to date. We will also review management's assessment of the recoveries, which we expect would indicate the proportion of these arising from:
 - the Ministry's assurance processes; and
 - voluntarily returned subsidy payments.
- also consider how the amount of recoveries identified through the Ministries assurance processes have been assessed against the total scheme payments by management in its assessment the level of indicative non-compliance overall;
- assess management's accrual for eligible applications not yet received/processed at 30 June;

- review the disclosures made in the Annual Report relating to the Ministry's assurance activities, results of these and any further planned work; and
- review wage subsidy service performance reporting included in the Annual Report to conclude if these are accurate and provide sufficient performance information about the Ministry's activities (discussed further in part 3.2 of this report).

Extracts from the Audit New Zealand – Report to the Chief Executive on the audit of the Ministry of Social Development for the year ended 30 June 2020 (Received March 2021)

In the *Report to the Chief Executive on the audit of the Ministry of Social Development for the year ended 30 June 2020*, the Wage Subsidy Scheme is referenced in the following sections:

- Key messages
- New recommendations
- Matters raised in the audit plan (received May 2020)
- Appendix 2: ESCO assessment – management control environment.

The relevant extracts of the report are included on the following pages.

From section - key messages

Wage subsidy – In response to the Covid-19 crisis, the New Zealand Government initiated the Wage Subsidy Scheme (the Scheme) to help New Zealand businesses and affected workers while non-essential work was on hold during the national lock-down. The Ministry was tasked with administering this package, including having the ability to audit applicants when required.

The Scheme was significant and paid out slightly more than \$12 billion by 30 June 2020. The Scheme was designed to enable payments to be made at pace under a high trust model. It relies on recipients to repay the payments if they become ineligible under the Scheme. The Ministry was therefore not required to verify whether eligibility criteria was met before payment, or the recipient's compliance with the obligations agreed to.

We reviewed the accounting for the Scheme's payments and recoveries against the requirements of generally accepted accounting practice. We have also reviewed the relevant internal controls completed testing over payments and the assurance processes completed by the Ministry.

We recommended that the Ministry seek positive confirmation (this could be targeted towards larger or risk indicated applicants) that recipients confirm compliance with eligibility criteria and obligations. We also recommended and that the Ministry 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. Details on the above can be found in section 3 of this report.

From section – New recommendations

1.1 New recommendations

The following table summarises our recommendations.

Recommendation	Reference
Wage subsidy The Ministry seek positive confirmation (this could be targeted towards larger or risk indicated applicants) that recipients confirm compliance with eligibility criteria and obligations.	3.1
Wage subsidy The Ministry 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.	3.1

From section – Matters raised in the audit plan

3.1 Wage Subsidy Scheme

In response to the Covid-19 crisis, the New Zealand Government set up the Scheme to help New Zealand businesses and affected workers while non-essential work was on hold during the national lockdown. The Ministry was tasked with administering the Scheme, there was an expectation that administering of the Scheme would include review and auditing of applications made by employers, as well as investigating possible cases of fraud.

The Scheme was significant and paid out slightly more than \$12 billion by 30 June 2020. The administration was established at short notice under a high-trust model to enable payments to be made at speed. The high-trust model relied heavily on the declarations of applicants to support eligibility and compliance with obligations under the Scheme. While there was no expectation to verify payments being made, the Ministry implemented, in conjunction with its partners, a prepayment approach which included validating of some employer details, such as IRD numbers, and additional checks for large employers.

Payments

The Scheme required the full entitlement to be paid upfront for the period covered, the Ministry's accounting policy also recognised the full expense on payment, with no deferral of amounts evenly over the period of the Scheme. The accounting policy was significant to the financial statements when the Scheme was extended in June 2020, as the extended period crossed over the year end. We reviewed the accounting against the requirements of generally accepted accounting practice and were satisfied that the Ministry's policy to recognise the expense in advance was appropriate.

We have also reviewed the processes, systems and controls in place with regards to the administration of payments under the scheme. Our testing included a sample from all payments made during the 2019/20 year under the initial and extended schemes to 30 June 2020. In addition to our interim report we note the following:

- A significant number of applications were auto authenticated, this is comparable to supplementary assistance which are also auto authenticated in certain circumstances. The difference is the assurance processes that verify a random portion of these.
- The Ministry did not issue Scheme specific delegations and used existing delegations which allow staff processing applications to approve any amount. The Ministry should consider implementing some form of tiered delegation for the Scheme or similar schemes in the future, given the wide range in the value of applications being considered by individual staff members.

We have also reviewed a sample of pre and post payment checks completed by the Ministry and are satisfied that recoveries, were made, when the assessment concluded by the Ministry's auditor indicated such. We note the following;

- In the sample we reviewed, the level of documentation in completing the post-payment assessments was inconsistent - for example, some assessments documented the criteria and obligations discussed with the recipient, while other included just a brief high-level paragraph;
- The assessments did not evidence that all criteria were discussed, such as the requirement that a business had taken active steps to mitigate the impact of Covid-19 before it was eligible to apply for the Scheme; and
- Most of the pre and post assessment actions provided an unknown level of assurance about compliance because of the reliance on conversations with applicants. Those assessments generally involved limited or no documentary evidence to support the conclusions reached. Ultimately this extended the "high-trust" basis into the pre- and post-assessment activity.

Recoveries

The Scheme requires that recipients to repay amounts if they become ineligible at any point or did not fulfil the agreed obligations, such as paying the stipulated amounts to employees. The recoveries were therefore an important aspect of the Scheme, recoveries originate voluntarily and also if identified by the Ministry's post payment checks.

The Ministry's current practice (for debt recovery) is to recognise a Scheme receivable once it has been notified of either a voluntary repayment, or the fraud/internal investigation concludes a repayment is necessary. No receivable is recognised for any estimated or expected recoveries, which could be receipted over the next year or more. We reviewed the Ministry's accounting for receivables against the requirements of generally accepted accounting practice and were satisfied the practice is appropriate and that no receivable for any estimated or expected recoveries is required.

The total amount recoveries has continued to increase since 30 June 2020 to date, and it is expected that recoveries will continue to be identified for the foreseeable future.

Ministers have made clear public statements setting expectations about repayments. We have reviewed written communications that have been sent to recipients of the scheme. These in our view have not covered the expectation the recipients assess their eligibility regularly and make repayment when required. There appears to be a gap, as due to the nature of the scheme, we consider it is likely that some applicants would have initially considered their eligibility under conditions of uncertainty or that for others their situation could have changed over the period of the Scheme.

The Ministry is currently considering what additional process it could use to ensure that recipients have adequately considered whether any repayment is required and confirm this assessment.

We recommend that the Ministry seek positive confirmation (this could be targeted towards larger or risk indicated applicants) that recipients confirm compliance with eligibility criteria and obligations.

The Scheme data and intelligence about payments, recoveries and assurance work spans multiple data sets and agencies. It is important for the Ministry to have a complete and clear end-to-end view of all associated aspects. We recommend the Ministry 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 has led to recovery, this would indicate further work is required.

Overall, we are satisfied that the accounting for payments is materially correct and incurred within the scope of the appropriation.

Management comment

MSD notes the recommendations and will now consider how these can be implemented.

MSD will consider issuing specific level financial delegations for similar schemes where it is deemed appropriate, relevant, and not already covered within the existing Financial Delegations document.

MSD notes that there was some inconsistency in the information recorded, particularly early on, where we completed post-payment assessments. This integrity check process was developed at pace, and the focus was on the ability to complete them. Staff were provided with a desk file with instructions for completing these integrity checks, including what discussions to have with the applicant. MSD are putting in place an assurance process for integrity checks undertaken for the March 2021 Wage Subsidy.

MSD notes that while there was no expectation to verify eligibility prior to payments being made, in conjunction with its partners, the Ministry implemented an approach that included pre and post payment checks of employer details (including additional checks for large employers), a coordinated complaints process, an investigations process, and a repayment process.

The Ministry's approach to the integrity of the Scheme used data insights and joint analysis with partners to understand and identify areas of integrity risk which enabled the Ministry to target its response accordingly. Furthermore, as behaviours were better understood, risk indicators were refined over time which enabled integrity controls to be strengthened for later WS schemes. The Ministry's understanding was aided through completion of an independent risk assessment on the management of the Scheme.

From section - Appendix 2: ESCO assessment – management control environment

- *Wage Subsidy* – The Ministry is progressing the work necessary to ensure that only eligible recipients received the wage subsidy. We have recommended seeking post payment confirmation of eligibility from recipients and considering if any additional work is still required to improve the integrity of the scheme.

Extracts from the Audit New Zealand – *Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2021* (Received July 2021)

In the *Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2021*, the Wage Subsidy Scheme is referenced in the following sections:

- Key messages
- Section 2: Wage subsidy scheme.

The relevant extracts of the report are included on the following pages.

From section - key messages

Wage Subsidy Scheme (the Scheme) – In our previous audit we reported that the Ministry did well to launch the Scheme and pay out funding quickly. Noting the high-trust nature of the Scheme, we made some recommendations for follow-up actions, in particular for the Ministry to seek confirmation that applicants have been eligible for payments and assess what further work should be conducted to strengthen the integrity of the Scheme. The Scheme paid out an additional \$1.3 billion for the year ended 30 June 2021.

On 4 May 2021 the Office of the Auditor-General (OAG) released its report on the Wage Subsidy Scheme and this report contained similar recommendations.

We understand the Ministry is working to implement its response to the recommendations made in our 2020 management report and the OAG report. We will continue to follow up progress with the Ministry.

From section – 2: Wage subsidy scheme

2 Wage Subsidy Scheme

In response to the Covid-19 crisis, the New Zealand Government initiated the Wage Subsidy Scheme (the Scheme) to help New Zealand businesses and affected workers while non-essential work was on hold during the national lock-down. The Ministry was tasked with administering the Scheme, including having the ability to audit applicants when required.

The Scheme paid out slightly more than \$12 billion by 30 June 2020 and an additional \$1.3 billion for the year ended 30 June 2021.

In our 2020 final report to the Chief Executive we recommended that the Ministry seek positive confirmation (this could be targeted towards larger or risk indicated applicants) that recipients confirm compliance with eligibility criteria and obligations. We also recommended that the Ministry 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.

On 4 May 2021 the Office of the Auditor-General (OAG) released its report on the Wage Subsidy Scheme and this report contained similar recommendations.

We have updated our understanding on the processes, systems and controls in place with regards to the administration of payments under the Scheme extension and resurgence payments.

We will as part of our pre-final and final audit review the pre-payment processes, systems and controls in place and review any improvements the Ministry made to its integrity reviews for the March 2021 stage of the Scheme. We will also as part of our final audit test a sample of Scheme payments and repayments for the year ended 30 June 2021.

We understand the Ministry is working to implement its response to the recommendations made in our 2020 final report to the Chief Executive and the OAG report. We will continue to follow up progress with the Ministry.

Extracts from the Audit New Zealand – *Report to the Chief Executive on the audit of the Ministry of Social Development for the year ended 30 June 2021* (Received December 2021)

In the *Report to the Chief Executive on the audit of the Ministry of Social Development for the year ended 30 June 2021*, the Wage Subsidy Scheme is referenced in the following sections:

- Key messages
- Matters raised in the audit plan (received April 2021)
- Appendix 1: status of open recommendations
- Appendix 2: ESCO assessment – management control environment.

The relevant extracts of the report are included on the following pages.

From section - key messages

Wage subsidy – In response to the Covid-19 crisis, the Government set up the Wage Subsidy Scheme (the Scheme) from March 2020 to help New Zealand businesses and affected workers while non-essential work is on hold during the national lockdowns. The Ministry was tasked with administering the Scheme. There was an expectation in that administering the Scheme the Ministry would have the ability to review and audit applications made by employers, and also investigate possible cases of fraud. The Scheme is a high-trust model and relies heavily on the declarations of applicants to support eligibility and compliance with obligations under the Scheme. Therefore, the Ministry was not required to verify that eligibility criteria were met before payment, however, the Ministry did implement pre-payment controls which have continued to be enhanced over time for subsequent Schemes.

We reviewed the accounting for the Scheme's recoveries against the requirements of generally accepted accounting practice. Management has offset the recoveries against the same expense line item as the original expense line item even if the original payment was in a different reporting period. We believe that this is supported by GAAP.

Overall, we are satisfied that the payments are materially correct and incurred within the scope of the appropriation. We will continue to follow up with the Ministry on the progress made on our recommendations as part of the 2021/22 audit.

From section – Matters raised in the audit plan

3.1 Wage Subsidy Scheme

In response to the Covid-19 crisis, the Government set up the Wage Subsidy Scheme (the Scheme) in March 2020 to help New Zealand businesses and affected workers while non-essential work is on hold during the national lockdowns. There was an expectation that in administering the Scheme the Ministry would have the ability to review and audit applications made by employers, and also investigate possible cases of fraud. The Scheme is a high-trust model and relies heavily on the declarations of applicants to support eligibility and compliance with obligations under the Scheme. Therefore, the Ministry was not required to verify that eligibility criteria were met before payment, however the Ministry did implement pre-payment controls which have continued to be enhanced over time for subsequent Schemes.

Payments

We reviewed the processes, systems and controls in place with regards to the administration of payments under the Scheme. Consistent with the previous year we found the following:

- The process does not require independent review or approval. Where a user is assigned a S2P task to process, they will make contact with IR to confirm information, make contact with the employer if this is appropriate and approve the application and payment.
- The reconciliation of employee data with IR is completed telephonically or using the IR portal for general application processing where the approval is not automated. Where a pre-payment integrity check is required the process is to record the information received from IR in the integrity check sheet.

For prepayment checks for employers (with over 80 employees) applying for the wage subsidy resurgence, it was noted a full pre-payment integrity check for the resurgence was not completed for applications where a pre-payment integrity check had recently been completed for the Extension. The employees applied for were still reconciled to ensure that the employer was not receiving the Resurgence subsidy for the same employees and period covered by the Extension subsidy. The Ministry has noted that this is due to the overlap between the resurgence and extension, there was a period of time when the Ministry would be discussing obligations for the extension at the same time as the resurgence. Therefore, only the prepayment form for the extension would be completed, with notes to record the reconciliation and any amendment included in EES system.

We tested a sample of Scheme payments made during the 2020/21 year under the extension, resurgence and March 2021 Schemes.

We noted the following in our previous audit and continue to do so:

- A significant number of applications were auto authenticated, this is comparable to supplementary assistance which are also auto authenticated in certain circumstances. The difference is the assurance processes that verify a random portion of these.
- The Ministry had not issued specific delegations until the August 2021 Scheme, it previously used existing delegations which allow staff processing applications to approve any amount. We will review the August payments as part of the 2021/22 audit.

We have also reviewed a sample of pre and post-payment checks completed by the Ministry and are satisfied that recoveries, were actioned, when the assessment concluded by the Ministry's auditor indicated such. We note the following:

- The March 2021 wage subsidy declaration was updated to include a requirement that applicants must prepare and retain information as part of the application process.
- We note improvements to the documentation of the pre-payment checks for the March 2021 wage subsidy applications. These included more detailed and consistent documentation of interview notes around the eligibility criteria and obligations discussed, and the submission of documents to support the decline in revenue. The checks remain reliant on representations from applicants.
- The Ministry is yet to complete the post-payment integrity work for the March 2021 and subsequent iterations of the Scheme. This has been delayed largely due to impacts of the August 2021 Covid-19 lockdowns and continuation of the August 2021 Scheme. The Ministry will conduct risk analysis with IR over both the March 2021 and August 2021 Schemes once the August Scheme is completed.

Recoveries

The Scheme requires that recipients are to repay amounts if they become ineligible at any point or did not fulfil the agreed obligations, such as paying the stipulated amounts to employees. The recoveries were therefore an important aspect of the Scheme, recoveries originate voluntarily and also if identified through the Ministry's checks.

We reviewed the accounting for the Scheme's recoveries against the requirements of generally accepted accounting practice. Management has offset the recoveries against the same expense line item as the original expense line item even if the original payment was in a different reporting period.

We believe that this is supported by GAAP.

The recoveries presenting net is also consistent with other significant items of the Government FSG accounting for over/underpayments for example, social benefit recoveries are presented against social benefit expense, and various tax related inflows and outflows are presented as net revenue.

If in the future the wage subsidy repayments for a year exceed the wage subsidy expense for the year, then the net amount would be presented as revenue rather than as a negative expense.

It is important that the Ministry ensure that they recover all identified recoveries. Where amounts are not repaid immediately these debts should be captured into the Ministry's debtor system to allow for tracking of repayments and follow-up of outstanding amounts. This is important to ensure accurate reporting of recoveries and to ensure that the appropriate steps are being taken with those who are refusing to repay.

We have tested a sample of wage subsidy recovery requests to ensure that all wage subsidy recoveries were being responded to, and recorded in the Ministry's debtor systems (KEA, TRACE, EES, S2P).

We found that for one of the items tested that after the second attempted contact failed the wage subsidy recovery was not updated into TRACE and no further contact was made. The Ministry has indicated that this was due to an S2P workflow issue which was addressed in July 2021. The fix included reloading all check payment tasks (approx. 1,500 repayments) into S2P. We will complete testing as part of the 2021/22 audit to ensure the issue is resolved.

Previous audit recommendation follow-up

We followed up the Ministry's progress in addressing our previous two recommendations on the Scheme, and note the following:

Recommendation: The Ministry seeks positive confirmation from recipients that they have assessed their situation and confirm that they have subsequently met the requirements of the Scheme.

The Ministry is completing the following two pieces of work to address the recommendation:

- **Seeking written confirmation from a sample of recipients**

The Ministry selected a sample of 1,000 wage subsidy recipients who had applied between 28 March 2020 and 22 May 2020. The sampling is weighted towards larger recipients but includes recipients from across all ranges of employers.

The selected recipients have been requested to confirm their eligibility and compliance with obligations under the Scheme. The Ministry has received 535 responses so far, of these three are to repay the subsidy. A reminder email is planned, and the Ministry expects to receive all responses over the next couple of months.

- **Recompleting a sample of integrity rechecks**

The Ministry selected a sample of 339 previously completed random post payment checks. The decision to target random selections was due to the Ministry's judgement that targeted checks held better information, were focused and overall provided better assurance.

The selected recipients have been asked to provide supporting documentation to support eligibility. The Ministry has completed 144 rechecks so far with approximately 2% (8) requiring either full or partial repayment. The process has been delayed because of Covid-19 lockdown and is now expected to be completed by the end of November.

We reviewed a sample of the completed rechecks and assessed there is improved level of assurance obtained, with particularly good assurance over the criteria for the revenue drop. Other Scheme criteria and obligations are largely unverifiable, and reliance is placed on representations.

Recommendation: The Ministry 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.

We understand from discussion with management that the Ministry is planning to address this recommendation after completing the two sampling checks above. The analysis will also consider the results of the integrity work completed over the March 2021 and August 2021 payments.

Overall, we are satisfied that the payments and recoveries (offset) are materially correct and incurred within the scope of the appropriation. We will continue to follow up with the Ministry on the progress made on our recommendations as part of the 2021/22 audit.

Management comment

The Ministry's administration of the Wage Subsidy Scheme has matured since March 2020, based on our experience and supported by the recommendations made by Audit New Zealand and in the Auditor-General's performance audit of the Wage Subsidy. Over subsequent schemes we have continued to clarify the criteria and strengthen the controls in place to ensure we can balance making payments quickly to affected businesses and individuals alongside maintaining the integrity of the scheme. This includes increasingly improving our upfront integrity controls and supporting those applicants who can't be validated to ensure their information is correct.

The Ministry intends to undertake a piece of analysis over Scheme integrity in 2022, as recommended by Audit New Zealand, following completion of work to provide assurance over early integrity checks, writing to a sample of applicants regarding their eligibility, and assessing the results of post-payment risk analysis for the March 2021 and August 2021 Schemes.

In regard to the recommendation above to complete a reconciliation of recovery requests to repayments made and debts established, work is underway on reporting and system enhancements to enable the reconciliation of non-payers, including those who have not yet been contacted, who have broken their repayment arrangements, or who have never made a repayment. This will support recovery of outstanding Wage Subsidy debts and provide reporting and visibility to managers. We are aiming to complete this work within the first quarter of 2022.

From section – Appendix 1: status of previous recommendations

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Wage subsidy The Ministry seek positive confirmation (this could be targeted towards larger or risk indicated applicants) that recipients confirm compliance with eligibility criteria and obligations.	2020	In progress. Refer to section 3.1.
Wage subsidy The Ministry 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.	2020	In progress. Refer to section 3.1.

From section - Appendix 2: ESCO assessment – management control environment

- *Wage subsidy* – The Ministry is progressing the work necessary to ensure that only eligible recipients received the wage subsidy.

Extracts from the Audit New Zealand – *Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2022* (Received October 2022)

In the *Report to the Chief Executive on the interim audit of the Ministry of Social Development for the year ended 30 June 2022*, the Wage Subsidy Scheme is referenced in the following sections:

- Key messages
- Covid-19 products.

The relevant extracts of the report are included on the following pages.

From section - key messages

Business risks and areas of focus

In our Audit Plan we identified areas that we consider to be a significant audit risk or specific areas of audit focus for the 2021/22 audit. While we have commenced our audit work on these matters and held discussions with the responsible managers, we will comment in full on these matters in our final report to you. We provide our interim update for Covid-19 products in part 3 of this report and as follows:

- Wage Subsidy Scheme (the Scheme) – We have previously reported that the Ministry did well to launch the Scheme and pay out funding quickly. Noting the high-trust nature of the Scheme, we made some recommendations for follow-up actions, the Ministry continues to make progress against these.
- The Ministry is busy with the integrity work over payments made in the current year; completion of this work is likely over at least the next 12 months.

From section – Covid 19 products

3 Covid-19 products

3.1 Wage Subsidy Scheme

In response to the Covid-19 pandemic, the New Zealand Government initiated the Wage Subsidy Scheme (the Scheme) to help New Zealand businesses and affected workers while non-essential work was on hold during the national lock-down. The Ministry was tasked with administering the Scheme, including having the ability to audit applicants when required.

The Scheme paid out slightly more than \$13 billion by 30 June 2021 and an additional \$4.7 billion for the year ended 30 June 2022. We have updated our understanding on the processes, systems and controls in place with regards to the administration of payments under the Scheme for the August to December 2021 payments. We have not identified any significant new issues to bring to your attention.

3.2 Leave Support Scheme (LSS)

The Covid-19 Leave Support Scheme is available to employers, including self-employed people, to help pay their employees who must self-isolate because of Covid-19 and can't work at home during that period. The LSS paid out slightly more than \$300 million by the end of April 2022.

We understand that administration of the LSS is largely similar to the Scheme, including operating under a high trust model with employer declarations for eligibility, IRD number confirmation and applying pre and post integrity processes akin to those of the Scheme. We will, as part of the final audit, update our understanding on the processes, systems and controls in place with regards to the administration of payments under the LSS.

As part of our final audit, for the Scheme and LSS we will:

- test a sample of payments and repayments for the year ended 30 June 2022; and
- review a sample of pre-payment processes, and post payment integrity reviews.

Performance information

The service performance report should provide sufficient performance information about the Ministry's actual activities during the reporting period for its performance to be assessed. This includes information about both:

- activities planned for the period, with performance indicators set out in the information supporting the estimates and strategic intentions agreed prior to the start of the year; and
- significant activities undertaken that were not planned for (such as new or significantly enhanced services in response to the Covid-19 pandemic).

In particular the Ministry will need to consider how it reports performance in relation to the Scheme and the LSS.

In considering appropriate performance information the Ministry should consider:

- different dimensions of performance (for example, quantity, timeliness and quality); and
- the qualitative characteristics of useful performance information, such as relevance, reliability, understandability, timeliness and comparability.

As part of our final audit, we will:

- review the disclosures made in the annual report relating to the Ministry's assurance activities, results of these and any further planned work; and
- review Scheme and LSS performance reporting included in the annual report to conclude if these are accurate and provide sufficient performance information about the Ministry's activities.

Previous audit recommendation follow up

We followed up the Ministry's progress in addressing our previous two recommendations on the Scheme, and note the following:

- Seeking written confirmation from a sample of recipients

The Ministry selected a sample of 1,000 wage subsidy recipients who had applied between 28 March 2020 and 22 May 2020. The sampling is weighted towards larger recipients but includes recipients from across all ranges of employers.

The selected recipients have been requested to confirm their eligibility and compliance with obligations under the Scheme. The Ministry has received 717 of the responses so far; of these four are to repay the subsidy. A further reminder email is planned and the Ministry still expects to receive at least 800 responses over the next couple of months.

- ReCompleting a sample of integrity rechecks

The Ministry selected a sample of 339 previously completed random post payment checks. The decision to target random selections was due to the Ministry's judgement that targeted checks held better information, were focused and overall provided better assurance.

The selected recipients have been asked to provide supporting documentation to support eligibility. The Ministry has completed all the 339 rechecks with 10% (34) requiring either full or partial repayment.

The Ministry is working with an external provider to analyse the results of all integrity (including the results of the two pieces of work above) and assurance work undertaken to

date to inform a risk-based assessment of next steps, and what further integrity work, if any, needs to be completed to strengthen the integrity of the scheme. We will continue to follow up with the Ministry on the progress made on our recommendations as part of the final audit for the year ended 30 June 2022.

Integrity work over the 2021 wage subsidy iterations is ongoing and completion of this work is likely over at least the next 12 months.

APPENDIX ONE

An extract from the email between the Ministry and Audit New Zealand from 13 December 2022.

In regard to the Ministry confirming with all recipients their eligibility for the wage subsidy we did question the value of this in light of what we know to date and the significant effort that would be required – for the first scheme there were around 400,000 applicants, with around 88% of these being sole traders or employers with five or fewer employees who received around 31% of the value of the scheme.

As you know, we have been finalising work on the two assurance samples in response to the previous OAG and Audit NZ recommendations, are undertaking integrity work over the August 2021 scheme, and are awaiting Deloitte's assessment to best inform our next steps. I've included some further insights below for your consideration in confidence.

While the sample of 339 indicated around 10% may not have been eligible for the subsidy received, this was a representative sample to provide assurance over the random integrity checks undertaken at early in our integrity programme prior to our shift to targeted integrity checks based on risk, rather than being attributable to all recipients. We've since captured the results of the two cohorts within the stratified sample; employers with 6 or more employees, and sole traders or employers with five or fewer employees:

Of the 161 employers with six or more employees:

- 146 (90.7 per cent) required no further action by the Ministry*
- 13 (8.1 per cent) were required to make a part or full refund, with the most common reasons being 'circumstances changed' (4), 'prediction not realised' (3), and contractor related (3)*
- Two (1.2 per cent) were referred for investigation where fraud is suspected.*

Of the 178 sole traders or employers with five or fewer employees:

- 155 (87.1 per cent) required no further action by the Ministry*
- 19 (10.7 per cent) were required to make a part or full refund, with the most common reasons being 'circumstances changed' (4), 'prediction not realised' (9), and 'insufficient info to determine eligibility' (4)*
- Three (1.7 per cent) were referred for investigation where fraud is suspected.*

At a high level, this indicates that the shift to targeting our checks based on areas of risk in 2020, along with the ongoing improvements

to our integrity controls and checks, was the right decision. While there may not be a significant difference between the results for the strata, we acknowledge there may be potential limitations with receiving sufficient evidence to determine eligibility from some sole trader and smaller businesses. Additionally, the most common reasons for requiring a partial or full repayment are in line with the settings for the schemes, in that applicants were eligible at the time of application if predicting they would experience a revenue decline and obligated to self-assess their entitlement and contact the Ministry regarding repayment.

In regard to the sample of 1,000 early Wage Subsidy recipients written to from July 2021, only six recipients indicated that they were not eligible for the subsidy received, and 47 did not respond to multiple written and outbound calling attempts to contact them. The 47 non-respondents have been referred to the Ministry's Client Support Debt Management area for further contact prior to repayment requests being issued. Due to data limitations, the Ministry is considering these results against a revised sample population of 864 recipients of the Consolidated Wage Subsidy.

This sample was weighted towards large employers as recommended and should be more representative of recipients of the early schemes (the original 1,000 written to represented 2% of applications and around 10% of expenditure for the Consolidated Wage Subsidy from 4pm on 27 March 2020). The very high level of compliance however should be considered carefully – the OAG report did note the risk that some applicants of the first scheme did not fully read the form or their obligations, however communications and criteria communications were improved over time.

There are also a number of complications to doing this kind of work with so much time having passed since the early schemes – there will always be a level of non-response, and it is resource intensive to follow up on this, and in some cases the original applicant was no longer connected to the business and/or the business had changed ownership. It has taken around 18 months to complete this work.

We're also currently working through the 301 recipients identified by the IR risk analysis over the August 2021 scheme, starting with integrity checks for those with the highest risk ratings. We note that around 10% of those identified by the risk analysis had already been flagged by our other integrity controls for integrity checks and/or investigation and so no additional work needs to be conducted. Of the 85 checks completed to date, noting these are the for the highest risk scores, 40% require a partial or full repayment with the most common reason being the revenue decline was not realised. Note, for the risk score threshold set, there were no applications for the smaller March 2021 scheme that warranted immediate attention.

In preparing for the risk analysis we did work with IR to understand whether there was additional analysis that could be undertaken that

aligned directly with the eligibility criteria for the schemes, but this was not reliable. Effectively, without a robust data source to further target identifying non-compliance any 'fishing exercise' is expected to highlight a low level of error and wastage.

Overall, we have reasonably targeted our integrity efforts for the nature of the scheme, which was broad economic support delivered through a high trust model. We believe any further work the Ministry undertakes needs to be balanced with its expected effectiveness as well as the ongoing impacts on our core duties. Once we have the findings of the Deloitte assessment, and have considered them along with the results above, we will be making recommendations as to appropriate next steps. It is unlikely that writing to every recipient and requesting and assessing documentary evidence is practical, but there may be other opportunities we can explore.