

Co-funding payroll scheme phase 2: audit requirements

The Government's Co-Funded Payroll Scheme (Phase 2) offers financial support to businesses (including companies, charities, self-employed workers, sole-traders and partners) that have suffered material detriment due to COVID-19 restrictions. Government guidelines for the scheme can be found [here](#). Frequently asked questions about the scheme can be found [here](#).

When making a claim the business makes a number of declarations in relation to the month of the claim, and agrees to provide information to the administrators and auditors of the scheme. This document outlines the type of information that would be considered appropriate to support the declarations and which could be provided to Government if a claim is audited.

Some documentation might relate to activity or discussions held before the relevant month of the claim, however, any documentation provided as evidence should specifically relate to the impact of the COVID-19 restrictions on the business.

Overall scheme checklist:

| | Standard scheme | Special exemption |
|--|------------------------|--------------------------|
| Payment to employees | ✓ | ✓ |
| Material detriment | ✓ | ✓ |
| Declarations | | |
| • Insurance policies | ✓ | ✓ |
| Special exemption scheme | | |
| • Insufficient cash flow to meet ongoing obligations including payroll costs | | ✓ |
| • Considered all options for working capital | | ✓ |
| • Removal of funds from the business | | ✓ |
| • Explored all opportunities for shareholder investment | | ✓ |
| • Considered options for collection of all debts | | ✓ |
| • Considered options for reduction of overheads | | ✓ |

The following tables indicate the type of documentation that could be required to be provided by a businesses during the audit of their claim.

Payment to employees

Government's Customer and Local Services team will be contacting employees of selected businesses to confirm the dates and the amounts of payments they have received in the relevant month.

The business may also be contacted and will be required to provide any or all of these documents to confirm payment:

- Business bank statement
- Social security schedule submitted and supporting payroll records
- ITIS schedule submitted

Material detriment

The Government will be auditing selected businesses to confirm material detriment. Material detriment is a 30% loss in turnover during the month of the claim compared to the same month in 2019.

Turnover is the total business operating income, including income from trading and any other sources of income that the business may have. This includes, and is not limited to, the sale of products and services, commission receipts, business rental income, business bank interest or other business investment income, and payments received from business disruption insurance.

In the case of a self-employed worker/sole trader, turnover is a person's business income before deducting any expenses. This includes, but is not limited to, income related to the sale of products and services, commission receipts and payments received from business disruption insurance.

Businesses being audited will be contacted and will be required to provide any or all of these documents to confirm material detriment in the month being audited:

- Turnover or income statement from an accounting system
- Turnover or income statement created from bank statements
- 2019 & 2020 comparison
- Invoices or other supporting evidence

Declarations

It is a requirement of the scheme that a business must pursue an insurance claim for business disruption if it has this cover. Documentation that will demonstrate compliance with this declaration includes:

- The insurance policy
- Correspondence with insurer
- Confirmation of insurance receipts

Special exemption scheme

The following table provides an indication of the documentation that will demonstrate compliance with the declarations in the month being audited, and will be required to be provided to Government on request to avoid subsidies having to be repaid to Government:

| Declaration | Documents |
|--|--|
| Insufficient cash flow to meet ongoing obligations including payroll costs | <ul style="list-style-type: none"> • Copy of cashflow with actuals and forecast • List of ringfenced cash that is not available as free working capital and confirmation of why it is not available • Use of Jersey Business cashflow template as a minimum |
| Considered all options for working capital | <ul style="list-style-type: none"> • Minutes from meetings or notes prepared by the business considering cash flow challenges |
| Removal of funds from the business | <ul style="list-style-type: none"> • Details of funds paid to business owners (excluding a normal salary) with documented reason for payment and why these have not been repaid to the business |
| Explored all opportunities for business owner investment | <ul style="list-style-type: none"> • Correspondence and/or minutes of consideration for business owner to make a cash injection |
| Considered options for collection of all debts | <ul style="list-style-type: none"> • Debtors list showing cash collections and/or reason for not accelerating collection • Correspondence showing attempts to collect payments early |
| Considered options for reduction of overheads | <ul style="list-style-type: none"> • Correspondence with landlord for rent/lease review or temporary reduction or deferral or rental payments • Correspondence with other large value suppliers |
| Considered the option of approved lending | <ul style="list-style-type: none"> • Correspondence with bank for additional lending and evidence that the business has approached a bank to discuss bank lending • Demonstration of the inability of the business to take on any or more debt |