

Co-funding payroll scheme audit requirements – updated 2nd July 2020

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.

When making a claim the business makes a number of declarations in relation to the period 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 required to be provided to Government, if a claim is audited.

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 business 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 period.

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. It states in its [COVID-19 Co-Funded Payroll Scheme Phase 2 guidance](#) that 'A business is considered to have suffered material detriment if during the relevant period it would be able to evidence a drop in turnover of at least 30% in 2020 or the same period in 2019.'

The relevant period for the calculation of material detriment can be calculated by a business in two ways:

- i. The qualifying month for the claim
- ii. A period of three months ending with the qualifying month for the claim

If a business decides to calculate material detriment on the basis of three months ending with the qualifying month for the claim, it must continue to calculate material detriment on that basis for all subsequent claims under the scheme.

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 period 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 the 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 period being audited, and will be required to be provided to Government on request to avoid subsidies having to be repaid to Government:

<u>Declaration</u>	<u>Documents</u>	<u>Time Period</u>
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 template as a minimum 	<ul style="list-style-type: none"> • 3 months from the start of the month of the claim
Considered all options for working capital	<ul style="list-style-type: none"> • Minutes from meetings/file note prepared by the business considering cash flow challenges 	<ul style="list-style-type: none"> • During the period of the claim
Removal of funds from the business	<ul style="list-style-type: none"> • Details of funds paid to business owners with documented reason for payment and why these have not been repaid to the business (e.g. required for reasonable living costs of the business owner(s)) 	<ul style="list-style-type: none"> • Payments to business owners from 1 January 2020 to the end of the period of the claim
Explored all opportunities for business owner investment	<ul style="list-style-type: none"> • Correspondence/minutes of consideration for business owner to make cash injection 	<ul style="list-style-type: none"> • During the period of the claim
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 	<ul style="list-style-type: none"> • Debtors outstanding on the last day of the month of the claim
Considered options for reduction of overheads	<ul style="list-style-type: none"> • Correspondence with landlord for rent/lease review/temporary reduction or deferral • Correspondence with other large value suppliers 	<ul style="list-style-type: none"> • During the period of the claim

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	<ul style="list-style-type: none">• During the period of the claim
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