



## BRIEFING

### Approval to write-off MIQ fees debt

<b>Date:</b>	22 June 2022	<b>Priority:</b>	Medium
<b>Security classification:</b>		<b>Tracking number:</b>	2122-4881

Action sought		
	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<b>Note</b> that the previous Minister for COVID-19 Response agreed to MBIE's approach to write-off debt from MIQ fees that have not been recovered.  <b>Note</b> that your approval is needed to write-off Crown debt from MIQ fees that have not been recovered.  <b>Agree</b> to write-off \$10,591,450.47	1 July 2022
Hon Dr Ayesha Verrall <b>Minister for COVID-19 Response</b>		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Andrew Milne	Associate Deputy Secretary, MIQ	Privacy of natural persons	✓
Stewart McRobie	Chief Financial Officer, MBIE		

The following departments/agencies have been consulted
The Treasury

**Minister's office to complete:**

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

**Comments**



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### Purpose

This briefing seeks approval from the Ministers of Finance and COVID-19 Response to write off the Crown debt from uncollected MIQ fees debt.

### Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that as of 20 June 2022, \$175.393 million in MIQ fees have been recovered and a further \$3.154 million worth of invoices for MIQ fees have been issued but are not yet due.

Noted

- b **Note** there is currently \$39.587 million outstanding in overdue MIQ fees invoices and while **good progress has been made in the debt collection space, there is some fees debt that is unlikely to be recovered.**

Noted

- c **Note** that Minister Hipkins agreed to MBIE's proposed write-off approach for MIQ fees debt for 2021/22 with MBIE providing final technical advice before 30 June 2022 [Briefing 2122-4436 refers].

Noted

- d **Note** that this is debt to the Crown and requires joint sign-off from the Minister of Finance and the Minister for COVID-19 Response to be written-off.

Noted

- e **Agree** to write-off \$10,591,450.47 as Crown debt.

Agree / Disagree

- f **Note** that the write-off does not require any appropriation or forecasting changes as MBIE has \$32 million internally expensed for provision for doubtful debts from both 2020/21 and 2021/22 financial years.

Noted

- g **Agree** to proactively release this briefing with any withholdings consistent with the Official Information Act 1982.

Agree /  Disagree



Andrew Milne  
**Associate Deputy Secretary**  
Managed Isolation and Quarantine, MBIE

22 / 06 / 2022

Hon Grant Robertson  
**Minister of Finance**

..... / ..... / .....



Hon Dr Ayesha Verrall  
**Minister for COVID-19 Response**

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## Background

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1. The MIQ fees regime was introduced at pace and was initially manual and reliant on sometimes inaccurate data from several agencies. As the MIQ invoicing model has evolved, several improvements have been implemented and the overall process has become more automated. These improvements have included system validation and cross checking of traveller information between Health, Immigration and MIQ records.
2. While these improvements have improved the overall collectability of debt, there is some fees debt that MBIE and its debt partner now judge have a very low likelihood of recovery.
3. On 13 June 2022, Minister Hipkins (as the former Minister for COVID-19 Response) agreed to the Ministry for Business Innovation and Employment's (MBIE) approach for writing-off MIQ fees debt for 2021/22 [briefing 2122-4436 refers]. MBIE also committed to providing final technical advice to the Ministers of Finance and COVID-19 Response to give effect to the write-off before 30 June 2022.
4. A provisional debt write-off forecast of \$11.959 million by the end of the 2021/22 financial year was provided in the previous advice. This advice provides an updated write-off figure of \$10.591 million and further detail on the approach to write-off debt.
5. Writing-off Crown debt needs joint sign off by the responsible Minister and the Minister of Finance. A recommendation for write-off is produced when the review of the record shows that there is a history of unsuccessful action undertaken and there is no further action possible of recommendation. Inherent with this recommendation is that sufficient time has passed to demonstrate the history of action.
6. While the Crown debt will be written off from an accounting perspective should the debt become recoverable it can still be collected from the liable party and will be treated as a bad debt write back.

## The agreed approach to writing-off MIQ fees debt

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7. The terms of payment for MIQ fees allow people 30 days (previously 90 days) to pay from the invoice date. In situations where MBIE has not been able to contact a person at 60 days from the date of invoice, the debt is sent to MBIE's partner collection agency, Commercial Information.
8. Commercial Information work to encourage payment and can support customers to submit instalment plan or waiver requests. If payment has still not been received 90 days after the date of invoice, the debt may be handed to Commercial Information.
9. Minister Hipkins agreed to the write-off of MIQ fees debt that is very unlikely to be collected. Write-offs are recommended when the review of the record shows that there is a history of unsuccessful action undertaken and there is no further action possible or recommended. Inherent in this recommendation is that sufficient time has passed to demonstrate the history of action.
10. As of 20 June 2022, \$175.393 million of MIQ fees have been collected (a debt recovery percentage of 82 percent) and a further \$3.154 million worth of invoices have been issued but not yet due. There is currently \$39.587 million in overdue invoices with \$25.446 million of these more than ninety days overdue.
11. As of 20 June 2022, 14,763 invoices worth \$47.959 million have been passed to our external debt collection agencies. Of this, \$16.985 million has now been paid.
12. There is some fees debt that we now judge the likelihood of recovery of to be very low. Our debt collection agency, Commercial Information and Commercial Information, has reviewed the debt they

have under management and have determined where debt collection is considered unlikely. This includes where there is no address to determine the location of the customer and where they have been unable to contact the customer.<sup>1</sup>

13. The table below is a review of the debt under management by Commercial Information and Commercial Information

Table 1: Commercial Information and Commercial Information; review of debt unlikely to be collected

Category	Commercial Information	Commercial Information	Total
<b>Gone no address</b> - third party has used the avenues available to them to try locate the customer on multiple occasions and has been unsuccessful and has now closed the file. Highly unlikely debt will be collected.	\$0.289m	\$0.132m	\$0.421m
<b>Passive collection</b> - third party has attempted to contact the customer and has used skip tracing methodology. They have been unsuccessful in this approach and will investigate this client again periodically to see if the customer has created new traces so that they can be located. Unlikely debt will be collected.	\$6.916m	\$3.254m	\$10.170m
<b>Total (as of 20 June 2022)</b>	<b>\$7.205m</b>	<b>\$3.386m</b>	<b>\$10.591m</b>

14. As set out in the table above, using this methodology, the write-off figure for the financial year ended 30 June 2022 is \$10,591,450.47.
15. The table below summarises the proposed write off by number of invoices and classification.

Table 2: Debt Write off volume and categorisation

Category	Volume	Amount
Gone no address	120	\$0.421m
Passive collection	2,853	\$10.170m
<b>Total (as of 20 June 2022)</b>	<b>2,973</b>	<b>\$10.591m</b>

16. MBIE's view is that 'likelihood of recovery' approach provides a greater level of justification for audit purposes than an 'age of debt' based approach to debt write-off.

### **The write-off does not require any appropriation or forecasting changes**

17. As the debt has been provided for the write off will not require any appropriation or forecasting changes
18. MBIE has \$32.0 million currently (internally) expensed for provision for doubtful debts from both 2020/21 and 2021/22 financial years. MBIE intends to revise our provision for doubtful

<sup>1</sup> Other debt categories not listed in the table above include active collection, awaiting information from customer, disputed and on hold due to waiver applications. These categories have not been highlighted for the write off estimate as they are considered to have a higher likelihood of collection success and further action can be undertaken

debts on 30 June 2022 to reflect additional invoices raised. MBIE will expense against the appropriation should further provision be needed.

19. Given that the bad debt write-off amount proposed is less than the \$32.0 million currently held, no appropriation or forecasting changes are required.
20. Crown debt can be written-off when it is jointly signed off by the responsible Minister and the Minister of Finance. A recommendation for write-off is produced when the review of the record shows that there is a history of unsuccessful action undertaken and there is no further action possible of recommendation. Inherent with this recommendation is that sufficient time has passed to demonstrate the history of action.

## **Next steps**

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21. Following the approval from both Ministers to write-off this Crown debt, MBIE will action the write-off within its Finance Information Management System. This will need to be undertaken by the 4 July 2022 to meet internal finance system cut off dates.