**Employer Accreditation – Assessing viability and type of accreditation:**

The Employer Accreditation application form requires an employer to declare whether they meet one of four key financial indicators under WA2.10.1(b):

i. have not made a loss (before depreciation and tax) over the last 24 months; or
ii. have a positive cash flow for each of the last 6 months; or
iii. have sufficient capital and/or external investment (for example funding from a founder, parent company or trust) to ensure the employer's business remains viable and ongoing; or
iv. have a credible, minimum two-year plan (for example by having contracts for work) to ensure the employer's business remains viable and ongoing.

s6(c)

INZ has identified opportunities to revise BAU settings in the Employer Accreditation gateway to allow INZ to undertake more robust assessments to better identify instances of non-viable businesses obtaining Employer Accreditation or obtaining the wrong type of Employer Accreditation.

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**Part 1: Viable and genuinely operating business or organisation:**

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Initial Checks:

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| Employers that are... | Relevant factor |
| --- | --- |

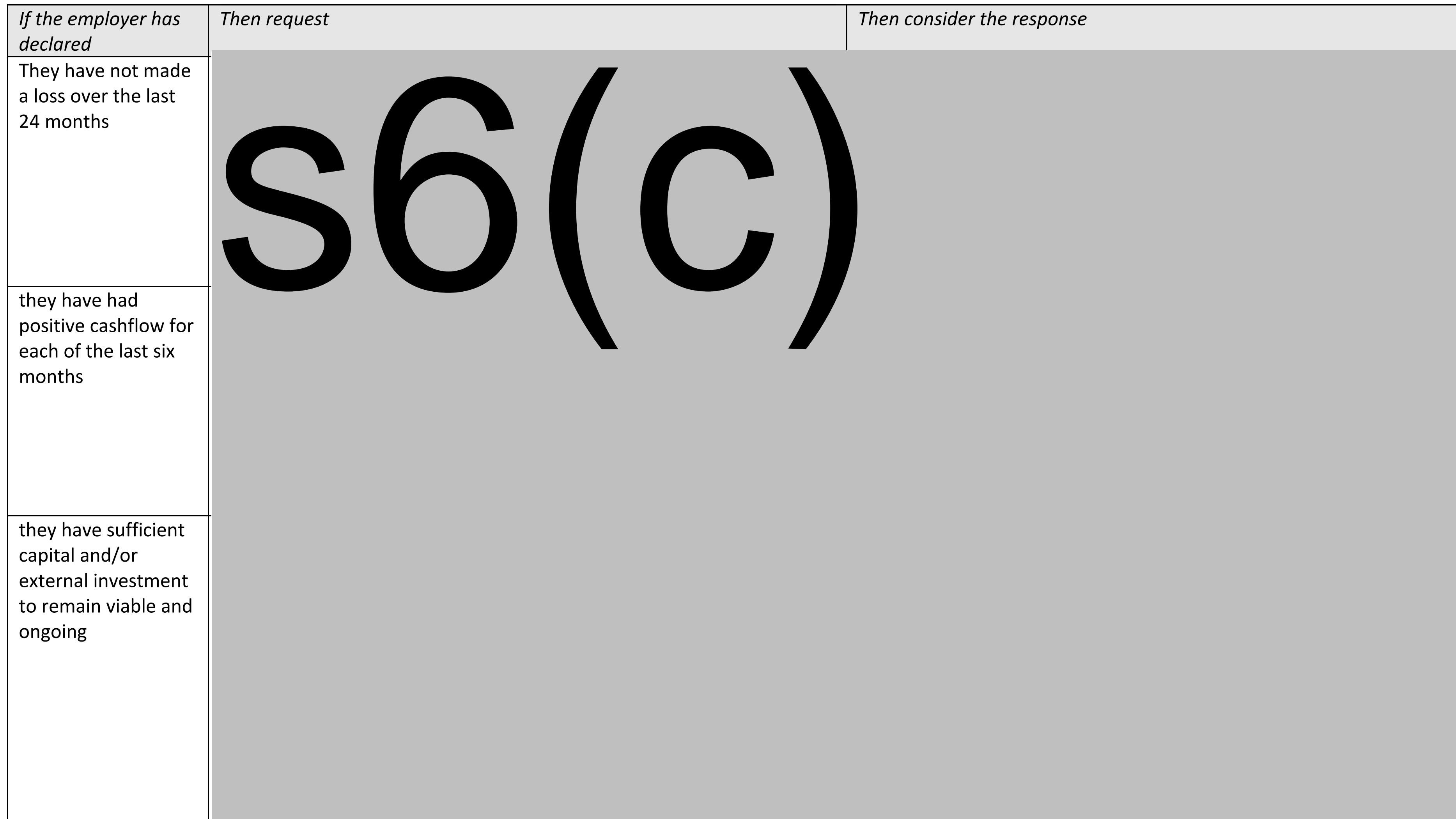
s6(c)

| Having completed the initial checks and having taken into account all of the information available to you, is there sufficient information to be satisfied that the employer's declaration can be accepted at face value? | |
| --- | --- |
| Yes | Clearly document in general notes the why you are satisfied |
| No | Proceed to the next section "requesting supporting financial documents"<br>Raise an assessment concern in ADEPT |

**Requesting supporting financial documents**

Review the declaration made in the Employer Accreditation application form

| *If the employer has declared* | *Then request* | *Then consider the response* |
| --- | --- | --- |
| They have not made a loss over the last 24 months | | |
| they have had positive cashflow for each of the last six months | | |
| they have sufficient capital and/or external investment to remain viable and ongoing | | |



| | |
|---|---|
| | s6(c) |
| they have a credible minimum two-year plan to remain viable and ongoing | |

| Having reviewed the employer's declaration and the supporting financial documents, are you satisfied that the employer is viable and genuinely operating as per WA2.10.1(b)? | |
|---|---|
| Yes | Clearly document why you are satisfied in your rationale |
| No | PPI |

**Part 2: Identify incorrect selection of accreditation type by employers**

**Indicators of a franchise or triangular business to be assessed:**

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**Steps for Immigration Officers to follow when assessing the selection of the accreditation type by employers:**

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| Having completed the above checks, does it appear the employer may meet the definition of a Franchisee or Triangular Employer (WA2.60.15/20)? | |
|---|---|
| Unclear | RFI |
| Yes | PPI |
| No | Continue assessing the application - *Record a general note documenting checks done* |

**Resources:**

Verification toolkit contains general and industry specific resources to help you identify and mitigate risk

Steps assessing genuiness and viabillity.pdf

Unsustainable Employment / Assessing Employer Sustainability

SBFAs are happy to assist us with any tricky cases. Follow the SBFA referrals process

Training material for financial statements are available on Learn

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| Steps | Steps for assessing business genuineness and viability | Look out for… and Helpful Hints |
| --- | --- | --- |

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# Verification Toolkit



## Unsustainable Employment / Assessing Employer Sustainability

Updated December 2020

This page collects resources that may assist in risk mitigation & verification activities. Some of the information may be restricted and protected from release under the Official Information Act 1982 or the Privacy Act 2020. Note that the IPT decisions referenced below have not been depersonalised, and they should not be released in that format outside of INZ.

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Immigration Instructions relating to visa types that require an offer of employment with a specific business (such as Essential Skills or SMC) require that the employment be sustainable (eg Instructions SM6.30.10, WK3.5, W2.10.10, etc). A sound assessment of a business' sustainability will take into account all facts about the business i.e. how long it is in operation; size of its assets; financial performance; current staff numbers and total wages spent; growth prospects, etc.

See this guide by the Senior Business & Finance Advisors (December 2020) for a step-by-step guide to assessing the sustainability of a

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## Assessing financials

If you need to look into a company's financials, you should be able to do some basic ratio and trend analysis and understand the driving forces behind the numbers.

- Learn@MBIE has modules on how to interpret financial information - search for "financial".

Looking at the company's financials, work out the Liquidity Ratio, Profitability Ratios (return on total assets/ROA or Profit Margin) and Leverage/Solvency/Debt Ratios, as these can assist in determining the sustainability of a business. See below for further information.

## Liquidity Ratio

| Calculation formula | Example of calculation | What does this mean? |
|---|---|---|
| Current Assets ÷ Current Liabilities/Debts = **Liquidity Ratio** | Company A:<br>• Assets =$700,000; Liabilities= $300,000<br>• 700,000 ÷ 300,000 = **2.33** – good<br>Company B<br>• Assets $500,000; Liabilities $510,000<br>• 500,000 ÷ 510,000 = **0.98** - bad | Generally, a ratio higher than 1:1 (i.e higher than **1.0** as a result of the calculation, equal assets and liabilities) is acceptable - depending on the actual amount of money involved. The higher the number, the better.<br>A liquidity ratio of greater than 1:1 indicates growth. Less than 1:1 is not good, as the company's growth is either relatively stagnant, or its liabilities are increasing to a higher level than its assets.<br>Compare the calculation outcome for the last two financial years - if the numbers are going down (eg 2017 was 1.3 but 2018 is 0.9) then it's a sign the company's liquidity is dipping - not a good trend, and a sign that the employment is unsustainable. |

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## Profit Margin

| Calculation Formula | Example of calculation | What does this mean? |
|---|---|---|
| Net profit before tax ÷ sales = **Profit Margin** | Company A<br>• $5000 profit before tax, $20,000 sales.<br>• 5000 ÷ 20,000 = **0.25** or **25%**<br>Company B<br>• $1000 profit before tax, $10,000 sales<br>• 1000 ÷ 10,000 = **0.1** or **10%** | The Profit Margin shows how efficient is the company in utilising its assets to earn a profit. The bigger the profit margin, the better.<br>Compare the profit margin for the last two financial years - if gross profit is improving/increasing, it's a good sign of growth (depending on the actual $$$ amount of profit).<br>If the profit margin is going down, it's a sign that the company is becoming less financially viable. |

## Return on Total Assets/ROA

| Calculation Formula | Example of calculation | What does this mean? |
|---|---|---|
| Net Profit after Tax ÷Total Assets = **ROA** | Company A<br>• $10,000 net profit after tax, $50,000 in total assets<br>• 1,000 ÷ 5,000 = **0.20**<br>Company B<br>• $50,000 net profit after tax, $30,000 in total assets<br>• 50,000 ÷ 30,000 = **1.66** | The ROA is another way of showing how efficient is the company in utilising its assets to earn a profit. The higher the ROA, the better.<br>Compare the last two years ROA - if it's increasing then company's use of assets to earn profit is becoming more efficient - a good sign. |

## Leverage/Solvency/Debt Ratio (terms are interchangeable)

| Calculation Formula | Example of calculation | What does this mean? |
| --- | --- | --- |
| Total debts ÷ total assets = **Debt Ratio** | Company A<br>• $100,000 in debts, $200,000 in assets<br>• 100,000 ÷ 200,000 = **0.5** or **50%**<br>• Paying off the debts would wipe out fully half of the company's assets<br>Company B<br>• $10,000 in debts, $200,000 in assets<br>• 10,000 ÷ 200,000 = **0.05** or **5%**<br>• Debts can easily be paid without wiping out assets. | The higher the debt Ratio, the less attractive it is, or the higher the risk to the business (e.g. higher interest cost).<br>Compare the debt ratio for the last two financial years - if the % is increasing then the company's debts and ability to pay them is also increasing - not a good sign for sustainability, depending on how high the ratio is.<br>• An increase in debt ratio from 5% to 6% might not be concerning, whereas a big jump from 50% to 65% would be more concerning (depending on the actual amount of money the % involves). |

## Factors to consider:

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