



**Joint Report:** Response to Auditor-General's Performance Audit of the  
COVID-19 Wage Subsidy

<b>Date:</b>	1 April 2021	<b>Report No:</b>	T2021/849 REP/21/3/327
		<b>File Number:</b>	SH-3-5

**Action sought**

	<b>Action sought</b>	<b>Deadline</b>
<b>Minister of Finance</b> (Hon Grant Robertson)	Note the contents	Tuesday 6 April 2021
<b>Minister for Social Development and Employment</b> (Hon Carmel Sepuloni)	Note the contents	Tuesday 6 April 2021
<b>Minister of Revenue</b> (Hon David Parker)	Note the contents	Tuesday 6 April 2021

**Contact for telephone discussion** (if required)

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
9(2)(a)	Principal Adviser, Welfare & Oranga Tamariki, The Treasury	9(2)(a) (wk)	N/A (mob) ✓
Keiran Kennedy	Manager, Welfare & Oranga Tamariki, The Treasury	N/A	9(2)(a) (mob)
Richard Owen	Customer Segment Lead, Inland Revenue	N/A	9(2)(a) (mob) ✓
George Van Ooyen	Group General Manager, Client Service Support, Ministry of Social Development		9(2)(a) (mob) ✓

**Minister's Office actions**

**All:** Return the signed report to your agency.

**Hon Sepuloni:** Refer to the Minister for Workplace Relations and Safety and the Minister for Small Business.

**Enclosures:**

Annex 1 Agency actions in response to OAG Wage Subsidy Performance Report

Annex 2 Wage Subsidy integrity processes and their development over time

Annex 3 WSSMAR21 integrity controls

Annex 4 Controller and Auditor General Draft Report on Management of the Wage Subsidy (31 March draft)

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**Joint Report: Response to Auditor-General's Performance Audit of the COVID-19 Wage Subsidy**

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**Executive Summary**

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The Office of the Auditor-General has shared its draft Wage Subsidy performance audit report with agencies. The Report is due to be published in mid-late April and will be tabled in the House.

The draft report finds that the Wage Subsidy Scheme was set up and managed effectively in difficult circumstances to provide rapid payments at a critical time. Ministers were made aware of the trade-offs between speed and risk when choosing a high-trust model. Many of the integrity steps taken were effective and consistent with best practice in emergency situations.

However, the draft report also notes that the Ministry of Development (MSD) post-payment reviews do not provide the level of assurance expected of an audit. The Auditor-General recommends that MSD tests a sample of paid applications against documentary evidence and that future schemes should have stronger post-payment checks.

The Auditor-General further recommends MSD completes prosecution work, conducts a cross-agency evaluation, and that future schemes should use criteria that are sufficiently clear to allow verification.

Agencies accept the findings of the draft Report and have developed a cross-agency action plan to implement the recommendations and a communications plan to accompany publication of the Report.

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Recommended Action

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We recommend that you:

- a **note** the contents of this briefing;

*Noted*  
*Minister of Finance*

*Noted*  
*Minister for Social Development*  
*and Employment*

*Noted*  
*Minister of Revenue*

- b **note** that the Auditor-General's Report is draft, confidential, subject to change based on feedback received from affected parties, and has been prepared for tabling in Parliament, so should be safeguarded and not disclosed further without the consent of the Office of the Auditor-General;

*Noted*  
*Minister of Finance*

*Noted*  
*Minister for Social Development*  
*and Employment*

*Noted*  
*Minister of Revenue*

- c **note** the Auditor-General intends to table the report in Parliament in mid-late April 2021;

*Noted*  
*Minister of Finance*

*Noted*  
*Minister for Social Development*  
*and Employment*

*Noted*  
*Minister of Revenue*

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- d **note** the Auditor-General will contact your Offices to offer a briefing to Ministers on the day of tabling.

*Noted*  
*Minister of Finance*

*Noted*  
*Minister for Social Development*  
*and Employment*

*Noted*  
*Minister of Revenue*

9(2)(a)



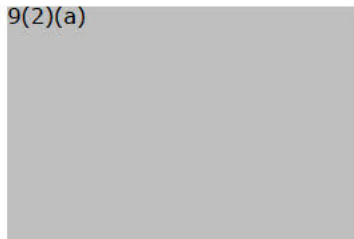
Keiran Kennedy  
**Manager, Welfare & Oranga Tamariki**  
**The Treasury**

9(2)(a)



George Van Ooyen  
**Group General Manager,**  
**Client Service Support,**  
**Ministry of Social Development**

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Richard Owen  
**Customer Segment Lead**  
**Inland Revenue**

Hon Grant Robertson  
**Minister of Finance**

Hon Carmel Sepuloni  
**Minister for Social Development and**  
**Employment**

Hon David Parker  
**Minister of Revenue**

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## Joint Report: Response to Auditor-General's Performance Audit of the COVID-19 Wage Subsidy

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### Purpose of Report

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1. To brief you on the Auditor-General's draft report on the Wage Subsidy, describe the agency response and outline how scheme integrity processes have changed over time.

### Background

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2. The Auditor-General has completed his performance audit of the COVID-19 Wage Subsidy Scheme. The purpose of a performance audit is to assure Parliament, public entities, and the public that public entities are delivering what they have been asked to.
3. The audit question is: 'How effectively has the Wage Subsidy been managed by the public sector using a "high trust" model?'. The audit covers the Ministry of Social Development (MSD), Inland Revenue (IR), the Ministry of Business, Innovation and Employment (MBIE) and the Treasury. It is limited to the first three iterations of the Wage Subsidy Scheme<sup>1</sup>.
4. The Office of the Auditor General (OAG) had extensive discussions with officials and stakeholders when preparing the performance audit. The OAG has shared its draft report with agencies. This briefing covers those draft findings and the agency response plan.
5. The OAG report is due to be published in mid-later April and will be tabled in the House. We understand the OAG will offer to brief Ministers ahead of tabling the report.
6. Agencies have provided feedback to the OAG on several drafts of the report and have prepared an action plan to respond.

### Report Findings

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7. The draft report received 31 March 2021 is provided in Annex 4.
8. Key findings from the draft report are summarised below. Additional conclusions are drawn in the body of the report, but we do not know how prominently these will feature in the final version.
  - a. **Scheme establishment**
    - i. The scheme was set up effectively, in line with Cabinet decisions, and used a high-trust approach;
    - ii. Officials' advice was informed by use of previous schemes after the Canterbury and Kaikoura earthquakes;
    - iii. Advice covered the trade-offs between payment speed and accessibility, and the ability to control fraud, abuse and error risks;
    - iv. Public servants worked extremely hard to implement the scheme quickly in difficult circumstances;

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<sup>1</sup> Wage Subsidy Scheme – March 2020; Wage Subsidy Extension – June 2020; and Resurgence Wage Subsidy – August 2020.

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- v. Running the schemes took agency resource away from some of their usual work; and
- vi. It is not clear whether applicants fully understood their obligations due to challenges with communications, including employment law obligations and eligibility criteria.

### **b. Making subsidy payments**

- i. Subsidy payments were managed well to provide support quickly at a critical time, within an average of 3.5 days of receiving an application; and
- ii. The requirement to '*have taken active steps to mitigate the impact of COVID-19 on the business*' was ambiguous and means some payments may have been made to ineligible applicants.

### **c. Scheme integrity**

- i. Cabinet did not require each applicant's eligibility to be verified, but noted applicants may be audited after receiving the subsidy;
- ii. Many steps taken on scheme integrity were consistent with good practice guidance for emergency situations;
- iii. Pre-payment verification steps were effective;
- iv. Post-payment processes included publishing recipient names, following up complaints, post-payment reviews (publicly described by MSD as audits) and investigations;
- v. The post payment review work does not provide the level of assurance expected of an audit, because it does not routinely involve substantiating the facts using independent or documented information;
- vi. It is possible the post-payment work performed for the Scheme is less than what Cabinet expected; and
- vii. Agencies are anticipating taking prosecutions but none have yet entered the court system.

### **d. Other**

- i. There was some confusion about the interaction of employment law and the operation of the wage subsidy; and
- ii. A timely evaluation of the Scheme is important to inform future schemes.

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## Report Recommendations

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9. The Auditor-General's draft recommendations are outlined below.
- a. *We recommend that when public organisations are developing and implementing crisis support initiatives that approve payments based on "high-trust" they:*
    - Recommendation 1:** *Ensure criteria are sufficiently clear and complete to allow applicant information to be adequately verified; and*
    - Recommendation 2:** *Put in place robust post-payment verification measures, including risk-based audits against source documentation, to counter the risks of using the high-trust approach.*
  - b. *In relation to the Wage Subsidy Scheme, we recommend that the Ministry of Social Development:*
    - Recommendation 3:** *Test the reliability of a sample of the post-payment assurance work they carried out against documentary evidence; and*
    - Recommendation 4:** *Prioritise remaining enforcement work, including:*
      - a. *seeking written confirmation from applicants (which could be targeted towards larger or risk-indicated applicants) of compliance with the eligibility criteria and the obligations of receiving the subsidy; and*
      - b. *taking prosecutions where possible and necessary to recover funds and/or to hold businesses to account for potentially illegal behaviour.*
  - c. **Recommendation 5:** *We recommend that the Ministry of Social Development, Inland Revenue, the Ministry of Business, Innovation and Employment, and the Treasury carry out timely evaluation of the development, operation, and impact of the subsidy and use the findings to inform policy advice on, preparation for, and practice during future crisis support schemes.*

## Agency Response

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### **Agencies have provided feedback on the draft Report**

10. Agencies have provided feedback on several drafts of the Report which has been mostly incorporated.
11. Key feedback included:
- a. Managing the scope of proposed audit testing work to reduce resourcing pressures and reflect the risk-based approach adopted by MSD to-date;
  - b. Aligning relevant recommendations, for efficiency, with Audit NZ's separate work on the Wage Subsidy;
  - c. Managing any privacy risks;
  - d. Providing more context in relation to the complexity and pace of the operating environment;
  - e. Highlighting the work done to continually review and improve systems and processes, such as updating the declaration and communications; and
  - f. Providing further information on governance arrangements, legal powers and progress with prosecutions.



**Agencies accept the report findings and are responding to each report recommendation**

12. Agencies accept the draft report findings and are responding. MSD, IR, MBIE and the Treasury have prepared a series of actions to implement the Report recommendations. These are summarised below and Annex 1 gives more detail.

13. MSD has discussed its proposed response to Recommendations 3 and 4a with the OAG to confirm the work is likely to address the OAG's concerns.

**Table 1**

<b>Recommendation (summarised)</b>	<b>Response</b>
<p><b>Recommendation 1</b> Future high-trust, crisis-support initiatives should use criteria that are sufficiently clear and complete for verification.</p>	<ul style="list-style-type: none"> <li>This will be reflected in advice to Ministers on an enduring Wage Subsidy Scheme.</li> </ul>
<p><b>Recommendation 2</b> Future high-trust, crisis-support initiatives should have robust post-payment verification measures, including risk-based audits against source documentation.</p>	<ul style="list-style-type: none"> <li>The most recent scheme (WSSMAR21) explicitly requires businesses to prepare and retain evidence to support their declaration.</li> <li>Integrity checks for WSSMAR21 will include requesting evidence that applicants met the revenue decline test.</li> </ul>
<p><b>Recommendation 3</b> MSD should test the reliability of a sample of post-payment assurance work against documentary evidence.</p> <p><b>Recommendation 4a</b> MSD should seek written confirmation from applicants of compliance with criteria and obligations.</p>	<ul style="list-style-type: none"> <li>MSD plans to begin requesting confirmation and/or evidence from a sample of Wage Subsidy recipients in May.</li> <li>The planned work will only cover the first Wage Subsidy Scheme, since enhanced integrity controls were in place for subsequent schemes.</li> <li>IR will provide analytical and resource support and the work is expected to take around three months.</li> </ul>
<p><b>Recommendation 4b</b> MSD should pursue prosecutions.</p>	<ul style="list-style-type: none"> <li>As at 19 March 2021 there were 384 investigations underway.</li> <li>MSD has developed an approach to civil enforcement, criminal prosecution and payment recovery with Crown Solicitors Meredith Connell.</li> <li>MSD has established a Wage Subsidy Recovery and Response Panel to apply the Public Interest Test on cases for criminal prosecution and to consider civil responses. The Panel first met on 22 February 2021.</li> </ul>
<p><b>Recommendation 5.</b> Agencies should evaluate the development, operation, and impact of the subsidy.</p>	<ul style="list-style-type: none"> <li>Agencies are scoping an evaluation and Cabinet has authorised joint Ministers to draw down up to \$1 million from the COVID-19 Response and Recovery Fund (CRRF) for this purpose.</li> </ul>

**Risks**

**The report raises some risks for agencies and the Government**

15. The OAG acknowledges the 'high-trust' model agreed by Ministers for the scheme involved only light pre-payment checks in order to support rapid payments. However, the OAG notes that the high-trust approach should be backed up with robust post-payment checks<sup>2</sup>, including checking against documentary evidence. The OAG also notes that in its view, the post-payment work performed may be less than what Cabinet expected when it noted that MSD may perform audits.

<sup>2</sup> Audit NZ has made similar recommendations to MSD on strengthening its approach to auditing Wage Subsidy applications.

16. The post-payment review practice, has been highlighted by OAG as potentially reducing assurance that Wage Subsidy expenditure is effective and also raises risks for the deterrent effect of integrity processes.
17. Most post-payment reviews undertaken have involved desktop review followed by telephone conversations with recipients. As previously requested by the Minister of Finance, annexes 2 and 3 provide a description of the Wage Subsidy integrity processes, including post-payment reviews and investigations.

***The integrity approach was a pragmatic way to provide assurance with limited resources***

18. Officials consider the approach taken by MSD, as described in annexes 2 and 3, to be a pragmatic and reasonable way to provide assurance for scheme expenditure. MSD took a graduated risk-based approach, which balances the depth versus breadth of post-payment checks within finite resources.
19. Cases assessed as higher risk through post-payment reviews could be escalated for investigation, which includes seeking documentary evidence. Seeking documentary evidence increases the time required for each post-payment review and doing so in every case review would significantly reduce the number of applications that could be reviewed.
20. MSD has detected ineligible applications at a much higher rate through its risk-targeted post-payment reviews than through random post-payment reviews audits, demonstrating the effectiveness of this approach.<sup>3,4</sup>

***Risks can be mitigated by implementing the OAG recommendations and communications***

21. MSD will perform the additional audit work suggested by the OAG and has made changes to post-payment review practice for current and future schemes, as noted in Table 1. This will help to mitigate the risks around confidence in post-payment review practice and will provide MSD additional information about the effectiveness of existing processes.
22. Communications in response to the Report will describe the additional integrity steps the Government is taking. This will make the integrity processes more visible to the public and may prompt voluntary repayments.

## Next Steps

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***IR and MSD are sharing resource and information***

23. IR has agreed in principle to support MSD with 10 to 15 staff to MSD for a period of 3 months to support ongoing Wage Subsidy integrity work, including work to implement the OAG recommendations.
24. MSD and IR can share certain information for the purpose of conducting integrity checks or other enforcement functions in relation to COVID-19-related assistance. The agencies are reviewing what information can be shared to support Recommendation 3 under existing Memoranda of Understanding (MOUs) and will update MOUs as appropriate.

***MSD will provide a communications plan***

25. MSD has prepared a communications plan with the other agencies to accompany the publication of the report. This will include responsibilities for responding to queries, key messages and proactive and reactive Q&A.

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<sup>3</sup> Only 5.2% of post-payment reviews led to refund requests early in the scheme (as at 18 May 2020) by which point only 16% of post-payment reviews were targeted based on risk. However, as MSD shifted to risk-targeted audits, the rate of refunds requested increased (to 20.5% as at 5 March 2021, by which point 47% of reviews were risk-targeted).

<sup>4</sup> The value of refunds to the schemes is \$749m to-date (as at 26 March 2021). Of this amount, \$23m has followed integrity involvement (including pre and post-payment checks and investigations). The refunds figure of \$23m is from a total of \$55m in refunds requested as a result of integrity involvement.

26. Agencies will provide the communications plan to Ministers' offices next week and can provide further support with communications as required.
27. MBIE has been consulted and is comfortable with the contents of this report. MBIE has requested that the report be referred to the Minister for Workplace Relations and Safety and the Minister for Small Business for their information.

***Agencies are planning an evaluation***

28. The Auditor General recommends MSD, IR, MBIE, and the Treasury carry out timely evaluation of the development, operation, and impact of the Scheme.
29. Cabinet recently authorised the Minister of Finance and the Minister for Social Development and Employment to draw down up to \$1 million from the COVID-19 Response and Recovery Fund (CRRF) to undertake an evaluation of the Wage Subsidy March 2021 and previous Wage Subsidy schemes (CAB-21-MIN-0043 refers).
30. MSD, IR, MBIE, and the Treasury are working together to develop an evaluation plan.
31. We anticipate the work will include a process evaluation of how well the Scheme was implemented. It will also include an outcomes evaluation to assess the extent to which the Scheme achieved the goals it was designed to deliver, as well as any unintended consequences.
32. We are establishing a cross-agency steering group to provide high-level oversight and decision-making on the evaluation scope, objectives, approach, and timeframes. The group will include representatives from MSD, Treasury, IR and MBIE.
33. Officials will report back to Ministers on progress by the end of May with key evaluation questions and a timeline for drawing down funding.

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Annex 1 Agency actions in response to OAG Wage Subsidy Performance Report

<p><b>Recommendations one and two</b> We recommend that when public organisations are developing and implementing crisis support initiatives that approve payments based on “high-trust” they:</p> <ol style="list-style-type: none"> <li>1. <i>ensure criteria are sufficiently clear and complete to allow applicant information to be adequately verified; and</i></li> <li>2. <i>put in place robust post-payment verification measures, including risk-based audits against source documentation, to counter the risks of using the high-trust approach.</i></li> </ol>	<ul style="list-style-type: none"> <li>• Planned advice on an enduring Wage Subsidy Scheme will cover the use of criteria that are sufficiently clear and complete to allow verification.</li> <li>• For WSSMAR21 a change was made to the declaration compared to previous schemes; businesses are required to prepare and retain evidence to support their declaration, including how the revenue decline was attributable to the move to Alert Level 3 on 28 February 2021.</li> <li>• For WSSMAR21, MSD is refreshing our consolidated risk analysis with IR to inform targeted integrity checks, and our integrity check process and systems have been updated to include requesting the revenue drop evidence applicants are required to retain as per the declaration.</li> </ul>
<p><b>Recommendations three and four</b> In relation to the Wage Subsidy Scheme, we recommend that the Ministry of Social Development:</p> <ol style="list-style-type: none"> <li>3. <i>test the reliability of a sample of the post-payment assurance work they carried out against documentary evidence; and</i></li> <li>4. <i>prioritise remaining enforcement work, including:</i> <ol style="list-style-type: none"> <li>A. <i>seeking written confirmation from applicants (which could be targeted towards larger or risk-indicated applicants) of compliance with the eligibility criteria and the obligations of receiving the subsidy; and</i></li> <li>B. <i>taking prosecutions where possible and necessary to recover funds and/or to hold businesses to account for potentially illegal behaviour.</i></li> </ol> </li> </ol>	<p><b>Recommendation 3 – Test a sample of the post-payment assurance work and</b></p> <p><b>Recommendation 4A – Seek written confirmation from applicants of compliance with eligibility criteria</b></p> <ol style="list-style-type: none"> <li>1. We have chosen to focus sampling on the original Wage Subsidy (WS1), as enhanced integrity controls were in place by 10 June 2020 for the Wage Subsidy Extension (WSX) and Wage Subsidy Resurgence (WSR) payments.</li> <li>2. To determine our approach for seeking further confirmation of eligibility from WSS recipients, we will engage the MSD Strategy and Insights team to determine statistically significant sample sizes for:             <ol style="list-style-type: none"> <li>a) 49,530 recipients with six or more employees who received \$7.5b in WS1 payments, where the sample will be weighted towards the largest businesses due to the significant value of the subsidies received (recommendation 4a) – this sample will be engaged to confirm their eligibility, and</li> <li>b) around 3,700 WS1 recipients subject to random post-payment auditing early in the WSS integrity programme’s implementation (recommendation 3) – this sample will be asked to provide verification they met the eligibility criteria.</li> </ol> </li> <li>3. MSD and IR are permitted to share certain information for the purpose of conducting integrity checks or other enforcement functions in relation to COVID-19-related assistance provided to any person or entity recipients. MSD and IR are reviewing what information can be shared to support recommendation 3 under the authority of existing information sharing MOUs, and will review and update the MOUs as appropriate.</li> <li>4. We expect to begin this work in May (i.e. at the end of the financial year as businesses will be in a better position to confirm) and expect this will take approximately three months.</li> </ol> <p><b>Recommendation 4B – Prosecutions</b></p> <p>MSD has worked with Crown Solicitors Meredith Connell to build the approach to civil enforcement, criminal prosecution, and the recovery of wage subsidy scheme payments. This included:</p> <ul style="list-style-type: none"> <li>• upskilling Fraud Intervention Services staff to progress investigations within a different legislative framework i.e. the Crimes Act 1961, the Criminal Proceeds (Recovery) Act 2009</li> <li>• working with Police on the preparation of Production Orders under the Search and Surveillance Act 2012</li> <li>• developing an enforcement and recovery decision-making framework to outline where criminal or civil enforcement and recovery actions are appropriate, and ensure these decisions are made robustly and consistently</li> </ul>

	<ul style="list-style-type: none"> <li>• developing guidance and processes for staff to support their work within the framework</li> <li>• establishing a WSS Recovery and Response Panel to apply the Public Interest Test (as per the Solicitor-General Guidelines) on cases recommended for criminal prosecution, and to make recommendations on civil enforcement and recovery responses where appropriate.</li> <li>• The WSS Recovery and Response Panel first convened on 22 February 2021 to consider the first cases recommended for enforcement and/or civil recovery, and will meet regularly as cases are ready to be considered.</li> <li>• As at Friday 19 March 2021, there are 384 investigations under way.</li> </ul>
<p><b>Recommendation five</b> We recommend that the Ministry of Social Development, Inland Revenue, the Ministry of Business, Innovation and Employment, and the Treasury:</p> <p>5. <i>carry out timely evaluation of the development, operation, and impact of the subsidy and use the findings to inform policy advice on, preparation for, and practice during future crisis support schemes.</i></p>	<ul style="list-style-type: none"> <li>• Cabinet has authorised joint Ministers to draw down up to \$1M from the COVID-19 Response and Recovery Fund (CRRF) for this purpose.</li> <li>• Officials are establishing a cross-agency steering group to scope the evaluation and will report back on progress by the end of May with key evaluation questions and a timeline for drawing-down funding.</li> </ul>

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## Annex 2 Wage Subsidy integrity processes and their development over time

1. This Annex describes the Wage Subsidy integrity processes and their development over time. Annex 3 provides a visual summary of the integrity processes in place for WSSMAR21.
2. The Wage Subsidy integrity programme was implemented to provide assurance around application integrity within the context of a high-trust model.
3. The inclusion of pre-payment integrity controls for the original (consolidated) Wage Subsidy (WS1)<sup>5</sup> helped to ensure that applicants who met the criteria received support from the subsidy. Post-payment integrity controls supported identifying and recovering payments from those who had received the payment in error or were not or no longer eligible.
4. The approach was strengthened by joint risk analysis with IR and an independent integrity risk assessment commissioned by MSD. This meant that integrity checks (previously referred to as 'audits') could be targeted to areas of risk, and wastage, fraud and error could be minimised. Key risks across the schemes were identified as:
  - a. applicants being paid the subsidy without meeting the eligibility criteria;
  - b. applicants being overpaid the subsidy;
  - c. false applications for employers that have not claimed the subsidy;
  - d. manipulation of application data;
  - e. the incorrect approval of ineligible applications; and
  - f. inappropriate access to application data.
5. Integrity improvements were made for WSX (and subsequent schemes) from 10 June 2020, to address the recommendations made by the independent assessment against these risks.
6. Other integrity enhancements from this date included using targeted risk analysis to 'exception out' some applications for pre-payment integrity checks. This was to mitigate the risk of approving applications for businesses for whom we have already identified integrity risks in relation to WS1.<sup>6</sup>
7. The integrity checks undertaken by MSD fraud investigators can be pre or post payment checks and can be random checks or targeted checks. As time has gone on, we have increasingly focused on targeted checks based on risk analysis. Integrity checks can involve the following:
  - a. desk-based reviews of open source public information - to determine the business is real, is operating in New Zealand and were operating prior to the event;

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<sup>5</sup> The Consolidated Wage Subsidy was established shortly after the first Wage Subsidy scheme came into effect and included changes which removed the payment cap of \$150k and saw the establishment of the initial pre-payment controls (e.g. checks for large employer applications).

<sup>6</sup> For the Wage Subsidy Extension (WSX) and Wage Subsidy Resurgence (WSR) payments, over 50% of these exceptioned applications were declined, supporting the effectiveness of this approach.

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- b. contacting the applicant - to discuss any identified discrepancies or complaints, reconfirming they meet the eligibility criteria, checking that they are a real business and is/was operating, understanding the nature of their business and their revenue drop, reconciling employee numbers, confirming the subsidy has been passed on to the employees applied for, and confirming that they are meeting their obligations;
  - c. requesting verbal confirmation from the applicant that the eligibility criteria were met;
  - d. contacting employees - to confirm the subsidy was passed on; and
  - e. contacting other agencies - to validate information provided, as required.
8. Prior to WSSMAR21, the pre- and post-payment integrity checks, as outlined in paragraph 6, did not routinely involve seeking documentary verification, although sometimes this would be voluntarily provided by the applicant to support the discussions.
9. Where an investigator is not comfortable that entitlement can be decided through the integrity check, the case can be referred for investigation, which involves more thorough review of the application, including seeking documentary verification from the applicant and/or through production order processes.
10. The table below presents a high-level view of the cumulative integrity measures over subsequent schemes:

Scheme	Cumulative integrity measures
WS1	<ul style="list-style-type: none"> <li>• Declaration</li> <li>• Pre-payment validation of business details using IR data</li> <li>• Pre-payment checks of large businesses (80+ employees)</li> <li>• Publishing of recipient details (with more than three employees)</li> <li>• Dedicated email address for Privacy Act requests (to confirm for people whether their information was used in any applications)</li> <li>• Assessment of complaints and allegations for further integrity checks or investigation</li> <li>• Post-payment integrity checks (both random and based on IR / MSD risk analysis)</li> <li>• Industry focused integrity checks where particular issues were identified e.g. applications from local authorities</li> <li>• More detailed investigations commenced where integrity checks indicated a higher likelihood of misuse of the scheme</li> <li>• Repayments process</li> <li>• Review of decision process.</li> </ul>
WSX WSR	<p>All of the above integrity measures, with the addition of:</p> <ul style="list-style-type: none"> <li>• Pre-payment exceptions for integrity checks of applications that meet one or more risk criteria, moving the focus to preventing misuse up front</li> </ul>

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Scheme	Cumulative integrity measures
	<ul style="list-style-type: none"> <li>• Post-payment targeted integrity checks (based on IR risk analysis and industries or organisations of interest)</li> <li>• Increased communications with applicants before and after payment</li> <li>• Improved application processes to ensure accurate data collection and support automation (e.g. addition of mandatory application fields)</li> <li>• Stricter settings around payment approvals by users</li> <li>• Utilising IR Compliance Specialists to support integrity work</li> <li>• Enforcement and recovery framework development.</li> </ul>
WSSMAR21	<p>All of the above integrity measures, with the addition of:</p> <ul style="list-style-type: none"> <li>• Declaration includes requirement for applicants to retain evidence of revenue drop being attributed to AL3 change</li> <li>• Reminder email two weeks after application period to retain this evidence and provide when requested</li> <li>• Increased transparency and visibility of the integrity programme (improved guidance for applicants and high-level public reporting)</li> <li>• <b>Enhanced post-payment targeted integrity checks based on refreshed joint analysis with IR – to be commenced, and including seeking verification, in line with the Office of the Auditor-General (OAG) recommendation</b></li> <li>• <b>Sampling of previous scheme integrity checks (assurance to address Audit NZ and OAG recommendations) – to be commenced.</b></li> </ul>



Annex 3 WSSMAR21 integrity controls

