

Appendix 1: Our summarised assessment of the progress made with implementing each of our recommendations

Implementation of recommendations – Management of the Wage Subsidy Scheme.

Rec.	Description	Status
1.	We recommended that when public organisations are developing and implementing crisis-support initiatives that approve payments based on "high-trust", they ensure that criteria are sufficiently clear and complete to allow applicant information to be adequately verified.	Progress has been made, including adding record-keeping requirements to the declaration form, clarifying the revenue drop criteria during alert level changes, and clarifying how the revenue drop criteria is applied to group organisations. However, in our view the criteria could be clarified further, particularly in relation to taking steps to minimise the impact of Covid-19 on a business.
2.	We recommended that when public organisations are developing and implementing crisis-support initiatives that approve payments based on "high-trust", they put in place robust post-payment verification measures, including risk-based audits against source documentation, to mitigate the risks of using a high-trust approach.	MSD has committed to implementing the recommendation, but post-payment verification measures for the March and August 2021 iterations of the Scheme have not yet started.
3.	In relation to the Wage Subsidy Scheme we recommended that MSD test the reliability of a sample of post-payment assurance work.	MSD has begun to test the reliability of a small sample of the post-payment assurance work it carried out. Of the sample of 339 applicants contacted, 186 had responded by late October 2021. The work has found some non-compliance by businesses. It is important that this information is carefully considered to determine what further work is needed to protect the integrity of the whole Scheme.
4.	In relation to the Wage Subsidy Scheme we recommended that MSD prioritise remaining enforcement work, including seeking written confirmation from some applicants and pursuing prosecutions.	Progress has been made with aspects of the enforcement work, but the work is not yet complete. Just over half of the 1000 applicants contacted by MSD have responded to MSD's request for written confirmation of compliance with the Scheme's eligibility criteria and obligations. MSD has started prosecution action and has referred some complex cases to the Serious Fraud Office.

5. We recommended that MSD, Inland Revenue, the Ministry of Business, Innovation and Employment, and the Treasury carry out a timely evaluation of the development, operation, and impact of the Wage Subsidy Scheme and use the findings to inform preparation for future crisis-support schemes.

Significant progress has been made by all the organisations involved to plan and organise an evaluation. Providers are being recruited to carry out the evaluation and it is expected to be completed during the second half of 2022. Although the timing of the evaluation might be too late to inform any further iterations of the Scheme, the findings could inform whether similar schemes should be used in response to future crisis situations. Both New Zealand and the United Kingdom are planning cost-effectiveness analyses of their respective employment schemes.
