Pursuing Recoveries and Preventing Reoccurrence

Final Report of the Covid Counter Fraud Commissioner

December 2025

CP 1462



HM Treasury

Pursuing Recoveries and Preventing Reoccurrence

Final Report of the Covid Counter Fraud Commissioner

Presented to Parliament

by the Chancellor of the Exchequer

by Command of His Majesty

December 2025

CP 1462



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Engagement

Over 150

Stakeholders engaged with the review

15 Banks

3 Industry Bodies

4 Professional Bodies

4 Roundtables

39 Institutions represented including from the third sector, universities, banks and government bodies

Conferences

6 Conferences in which the Commissioner has presented

Government Engagement

Corresponded with

15 Government Departments

12 Arms-Length Bodies

7 Ministerial meetings

>20 Updates to the Chancellor

UK Engagement

Met with all

3

Devolved Administrations

And met with

62

Local authorities

International Engagement

Learnt from the experiences of

5

International Partners from the International Public Sector Fraud

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Foreword

It is almost six years since we first heard of a potentially life-threatening virus detected in Wuhan. Most of us didn't pay much notice, but within three months we were in lockdown.

The world changed almost overnight. We learnt to wear face masks, maintain social distancing and stood on doorsteps bashing saucepans and clapping for carers. Neighbours directed their appreciation of "NHS Heroes" to me because I was chair of a local NHS Trust. They didn't understand that the job of non-executive chair in a crisis is to keep out of the way as executive colleagues get on with their jobs. Instead, with increasing numbers of front-line staff absent with COVID-19, I volunteered, in apron, face mask and gloves, as an activity co-ordinator on one of my trust's inpatient wards.

My trust was adequately supplied with Personal Protective Equipment throughout the pandemic, but I knew that stocks were tight elsewhere and heard radio interviews with doctors and nurses whose trusts were less well prepared. An elderly friend asked if it would be helpful if she established a sewing group to make face masks for the NHS. We soon heard that the NHS was overwhelmed with offers of such help and had created a "VIP lane", officially referred to as the High Priority Lane (HPL), so that PPE suppliers who approached MPs and NHS officials could have these offers expedited. The next we heard were rumours of businesses with no links to PPE supply securing lucrative contracts via this route. Furthermore, whether from HPL suppliers or others, stories emerged of defective and incomplete consignments and suspected fraud.

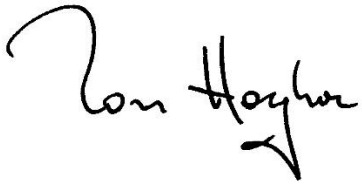
Working in healthcare, the pandemic didn't threaten my livelihood. I have spent most of my career in the private sector, primarily in retail, and knew that many businesses were very vulnerable to the disruption from COVID-19. Consequently, I was pleased when the Government announced furlough payments and loan schemes to support business. But, as with PPE supply, we soon heard rumours that these schemes were being abused and the public purse defrauded.

Fraud requires people without moral compass who are willing to perpetrate it. However, it also requires the opportunity for fraud, which arises from defects in or absences of controls to prevent it. I have found through my review that many decisions taken during the COVID-19 crisis paid too little attention to the risk of fraud. In some cases, this was accepted as necessary and proportionate to the importance of responding rapidly to the crisis.

In this report, I criticise decisions that increased the risk of fraud and failed to put mitigations in place. However, I recognise, and I hope people reading this report also recognise, the extraordinary circumstances and pressures facing public servants who were taking

these decisions. Notwithstanding my criticisms, I pay tribute to their integrity and their commitment to doing the best for the public they serve.

Time has moved on and good work has been undertaken, including measures implemented on my recommendation since I started in December 2024. Nonetheless, our outrage at fraud, abuse and error in COVID-19 spending is undiminished. This report will do nothing to reduce the anger, which will continue for years to come. However, I hope that the work described in this report, undertaken over the past year with the assistance of colleagues from HM Treasury and the Public Sector Fraud Authority, helps explain why fraud occurred during COVID-19 and how it can be avoided in future crises, provides assurance about the work that has been undertaken across government in this area since the pandemic, sets out what remains to be done, and contributes to securing further recoveries.



Tom Hayhoe, Covid Counter Fraud Commissioner



Executive Summary

COVID-19 was a crisis unlike any other experienced in our lifetimes. It demanded radical action, delivered rapidly. The government's response included enormous outlays of public money which exposed it to the risk of fraud and error.

Most public organisations were unprepared for a crisis that required spending on such a scale and with such urgency. Consequently, some measures to protect against potential fraud were inadequate, particularly where new delivery structures were established or novel measures employed. This applied to Personal Protective Equipment (PPE) procurement, where more than twelve months' volume against the "Reasonable Worst-Case Scenario" was ordered at a pace that overwhelmed the newly created supply chain and involved measures that invited mistrust, opportunism and profiteering. This also applied to the support for small businesses, where lending relied on self-certification with inadequate checks to prevent abuse and depended on delivery by third-party lenders. Grants were delivered by local authorities with varying capabilities and capacity for fraud prevention.

Much good work has been done to contain the losses and make recoveries. The Department for Health and Social Care (DHSC) launched its "turn the tap" programme in August 2020, cancelling PPE orders worth £0.7 billion once it realised the scale of its over-ordering, and established a Contract Dissolution Team which has spent the past five years pursuing suppliers who failed to fulfil contracts. The Insolvency Service has pursued Bounce Back Loan Scheme (BBLS) fraudsters, securing criminal convictions and using its director disqualification powers. The Department for Business and Trade (DBT) established the Dissolution Objection Process (DOP) to prevent BBLS borrowers defaulting on their loans and dissolving their companies. Around 70,000 businesses with outstanding COVID-19 loans placed in the DOP, many of whom would have committed fraud, possibly worth £0.9 billion, have since either repaid their loans or withdrawn their applications to dissolve. HMRC has recovered £1.3 billion in COVID-19 support scheme overpayments over the past five years.

Recoveries continue, with this government estimated to have delivered almost £400 million in COVID-19 fraud and error benefits to date.

Important measures have also been undertaken to build capacity to prevent further fraud. The Public Sector Fraud Authority (PSFA), strengthening existing capability across government, was established on 3rd August 2022. The Government Grants Function has developed new guidelines for grant giving. The Public Authorities (Fraud, Error and Recovery) Bill (PAFER), which creates new powers to tackle fraud and, critically, extends the period during which actions against COVID-19 fraud can be taken by an additional six years, will shortly receive Royal Assent. The Chancellor of the Exchequer has recently committed to the

funding of a new Public Authorities Fraud Investigation and Enforcement Service. These changes represent important steps in tackling public sector fraud.

There is much still to be done. Of the estimated £10.9 billion lost to fraud and error from COVID-19 spending, £1.8 billion has been recovered. Much of the shortfall is now beyond recovery, but areas remain where investing in recovering money paid out incorrectly is worthwhile and work should continue. HMRC, incorporated its COVID-19 compliance work into its 'business as usual' investigation and enforcement work in September 2023 and recognises that there are further recoveries to pursue. Counter fraud and recovery activity has varied significantly across departments, reflecting differences in exposure to fraud during the crisis, in relationships to the stakeholders they supported, and in their commitment, capability and investment in counter fraud. Some departments were slow to step up recovery work.

My review of COVID-19 recovery activity across government identified that HMRC, the Department for Media, Culture and Sport (DCMS), the Department for Work and Pensions (DWP), the Department for Education (DfE) and the Department for Transport (DfT) should continue their activities in this area until completion.

Having reduced the number of disputed PPE contracts from 55 worth £1,258 million in December 2024, DHSC should continue its work to resolve the remaining eight PPE contested contracts representing £325 million in potential recoveries.

DBT should review the companies in the DOP, removing the objection to dissolution for those who failed for genuine commercial reasons. They should identify those with a reasonable suspicion of COVID-19 loan fraud or abuse for the Insolvency Service to pursue director disqualification orders, protect the public from former directors who have abused the privileges given to limited liability companies, and use compensation orders to recover public money.

The Ministry of Housing, Communities and Local Government (MHCLG) should establish a dedicated function to monitor and support local government, collecting data on local authorities' management of fraud and error in the spending MHCLG does through these bodies. It should develop a locally owned approach aimed at raising counter fraud standards across all authorities and pursuing outstanding COVID-19 fraud using powers under PAFER.

There are also important steps required to protect against fraud in a future crisis. Reflecting the work undertaken over the past year, I have drawn four lessons from the pandemic experience that in turn have generated nine recommendations for application across government as a whole and four departmental specific recommendations.

Lesson One: The COVID-19 experience demonstrates that fraud prevention is insufficiently embedded in thinking and practice across government and, consequently:

- The government should make full use of legislative powers to tackle fraud and promote a culture of innovation in fraud prevention.

- Fraud control should be embedded in resilience planning, and crisis preparedness exercises should include fraud prevention and mitigation.

Lesson Two: Ambitious programmes are intrinsically risky, requiring robust challenge in related decision making, and can be addressed by the following measures:

- Challenge should be built into crisis decision-taking, by designating a "Challenge Champion" specifically charged with providing challenge.

- The business case approval processes should recognise risk of fraud and error and set aside an indicative 'clean-up cost' at the outset.

- *Managing Public Money* should be amended to require that Ministerial Directions bearing on fraud risk are refreshed after four months in order to continue.

Lesson Three: During a crisis and in its aftermath, there is a risk that decision takers assume that everyone shares the same commitment to tackling fraud and making recoveries, and consequently:

- Departments should be incentivised to maximise action to prevent and recover fraud, including permitting departments to retain a proportion of recovered funds.

- Working with professional bodies and regulators, the government counter fraud community should identify how to raise standards to protect the public against professionals assisting clients who abuse or defraud emergency schemes.

- Preparations for future crises should include communications directed towards reducing fraudulent behaviour, reminding people that fraud and abuse of public spending programmes are not victimless crimes, and demonstrating that perpetrators will be pursued and punished.

Lesson Four: Good data and proper scrutiny are critical to good decision-making, particularly when dealing with unknown counterparties. These are best addressed through institutional transparency, data and intelligence sharing and collaboration. Consequently:

- PSFA should undertake a project to address how government departments can share data more effectively during a crisis, which should include considering whether it may be necessary to amend the Digital Economy Act 2017.

- Public Sector bodies should be transparent in the award of grants, loans, contracts to businesses and to other bodies, including details of value, outline product or service description, timescale where relevant, and beneficial ownership information. The government should also continue to implement the small company reporting changes in the Economic Crime and Corporate Transparency Act 2023 (ECCTA), including the requirement that Companies House should require and publish profit and loss accounts, irrespective of company turnover, assets or staff numbers.

- Finally, following a crisis, recognising that lessons are often not learnt and recommendations not implemented, HM Treasury should establish a scrutiny panel. The panel should include senior officials from across government and external members, chaired by a minister, to review implementation of these recommendations at six monthly intervals for at least two years.

Chapter 1

Introduction

1.1 I was appointed on 3 December 2024 for a twelve-month term as the Covid Counter Fraud Commissioner, empowered to "use every means possible to recoup public money lost in pandemic-related fraud and from contracts which have not delivered". In this capacity, I have undertaken a comprehensive review of government spending arising from the COVID-19 pandemic with four principal objectives:

a) to assess efforts to recover fraud and error to date and determine where additional recoveries can be made, ensuring these are vigorously pursued;

b) to provide assurance to the public and Parliament that the government has exhausted all reasonable avenues for recovery;

c) to review individual contracts and provide additional scrutiny to any disputed spending; and

d) to identify examples of good and bad practice during the pandemic response.

1.2 I have developed a series of recommendations designed to ensure that the lessons learnt from the COVID-19 pandemic are embedded in government practice, preventing the reoccurrence of similar mistakes in future emergency responses. These recommendations reflect both the specific failures identified in pandemic spending and the broader systemic improvements required to strengthen the government's approach to preventing and recovering fraud during periods of exceptional expenditure.

1.3 The work was structured into three distinct phases. Phase One focused on strategy development, beginning with an examination of Personal Protective Equipment (PPE) procurement, including both the initial purchasing decisions and subsequent contract management. This phase involved reviewing the existing evidence base on COVID-19 fraud, assessing ongoing and past recovery efforts, and evaluating the potential for further recoveries. This included writing to Accounting Officers across government asking for an account of their departments and arm's length bodies (ALBs) work reviewing COVID-19 fraud, as detailed in Appendix B. The foundation established during this phase determined the approach in the next two phases.

1.4 Phase Two centred on direct action to drive recoveries and strengthen ongoing counter fraud efforts across government. Key initiatives included launching the COVID-19 Voluntary Repayment Scheme and COVID Fraud Reporting Site to facilitate further recoveries.

These support government-wide efforts to recover COVID-19 fraud and error.

1.5 Phase Three addressed future preparedness by identifying lessons learnt from the COVID-19 experience and assessing their application to government operations in both crisis and peacetime situations. This phase culminates in the production of this report, setting out key findings, lessons learnt and recommendations which have been tested with stakeholders both inside and outside government to ensure maximum impact and effectiveness.

1.6 This review has been broad in scope. The National Audit Office (NAO) identified 389 separate measures introduced by government in response to the pandemic in its COVID-19 Cost Tracker with an estimated total cost of £376 billion. These measures included the procurement of PPE, on which I focused initially, as well as a broad variety of other schemes. These ranged from high profile economic stimulus measures, such as the Coronavirus Job Retention Scheme (CJRS - better known as 'Furlough') and the BBLS, to smaller initiatives like the Zoo Support Fund.

1.7 My role has focused on spending by central government. However, I have worked closely with partners in the devolved governments and local authorities to better understand the measures they introduced and their crucial role in the delivery of central government schemes. One important example was the Small Business Grants launched by the then Department for Business, Energy, and Industrial Strategy (BEIS) but administered by local authorities.

1.8 My work forms only one strand in the government's effort to review, assess and learn from the pandemic. Many departments have conducted internal lessons learnt exercises. Bodies such as the NAO and Public Accounts Committee (PAC) have provided expert assessments of spending during and after the pandemic.

1.9 The UK COVID-19 Inquiry, chaired by Baroness Hallett, continues to explore key decisions taken during the pandemic, providing comprehensive scrutiny and a detailed account of the government's response. Other institutions, including law enforcement, are pursuing action into aspects of the government's COVID-19 response. I have sought to build on these initiatives rather than replicate them. I am grateful to the tireless efforts of those inside and outside government to learn from the pandemic and address its legacy.

Scope of the Report

1.10 My brief is focused on the issue of fraud against UK government spending related to COVID-19. 'Fraud' here refers to individuals dishonestly making a false representation, failing to disclose information when legally obligated to do so, or abusing a position of trust to gain something for themselves or another, or to cause a loss to someone else. It is the act of intentionally deceiving another party to obtain an advantage, which can be financial or otherwise, and can be committed in various ways. In common with counter fraud work across government, fraud is often considered alongside 'error', which refers to cases where incorrect payments arise from genuine mistakes, made either by the government or the customer. My review includes some consideration of debt created by COVID-19 spending and particularly the use of loan schemes to provide economic support. 'Debt' here refers specifically to overdue amounts owed to the government, whether arising from error, credit losses, or other sources.

1.11 Reflecting the terms of my brief and that of other organisations examining the UK government response to COVID-19, there are some important questions that this report does not attempt to answer. Many of these issues are being considered by the UK COVID-19 Inquiry.

1.12 Cases involving existing criminal investigation or civil litigation have not been covered here to avoid interfering with these processes. The information about them provided in the report is limited to departments' confirmation of the numbers of active cases, without specific details. However, insights derived from the continuing cases and outcomes from those that have been resolved in recent months have informed my findings.

1.13 The report also does not address allegations of corruption or cronyism in PPE procurement. These important allegations have understandably led to high levels of public interest. My core focus as Covid Counter Fraud Commissioner has been on the pressing and distinct issue of fraud against the public purse. While allegations of corruption and cronyism in PPE procurement have understandably generated high levels of public interest, these issues are often less clearly defined and fell outside the formal scope of this review. Nonetheless, fraud and corruption are frequently intertwined, and my work has therefore addressed instances where these broader allegations involved underlying fraudulent activity. This strategic focus allowed me to dedicate the available support and expertise to thoroughly address fraud, although the measures considered in this report are also relevant to tackling related issues of corruption.

1.14 My review of fraud and abuse in PPE procurement has included examining the governance of the programme and the High Priority Lane (HPL), also known as the 'VIP lane', in particular. I have consulted

with leading figures in the anti-corruption field and have been grateful for contributions from UK's Anti-Corruption Coalition member organisations including Transparency International, Spotlight on Corruption and the Good Law Project.

1.15 My review has concentrated on the management of fraud and error in new schemes and measures created to respond to the pandemic, rather than in existing schemes that saw increased demand. The most prominent example of these existing schemes is the increased expenditure on Universal Credit (UC) uplift from March 2020. Although I consider the management of the Department of Work and Pension's (DWP) schemes created specifically in response to COVID-19, UC is not extensively covered in this report.

1.16 My report looks at COVID-19 spending through the lens of fraud and necessarily highlights flaws. The report does not criticise the aims of the COVID-19 support schemes or minimise their benefits in protecting lives, businesses and public services. Further, I have not commented on the efficacy or appropriateness of different measures. My focus has been on their management of fraud and error in design, implementation and subsequent administration.

Covid Counter Fraud Commissioner Approach

1.17 My work has been informed by a set of core principles designed to deliver meaningful results:

a) **Looking forward:** emphasising recoveries and adopting an 'improvement mindset' rather than ascribing blame or developing a blow-by-blow account of the pandemic.

b) **Learning lessons rather than finding scapegoats:** using the diagnosis of what went wrong to develop and embed robust improvements in practice and, whilst recognising accountability for decisions taken, not ascribing blame for its own sake.

c) **Celebrating success:** as well as calling out mistakes and learning from them, highlighting good practice and learning from success stories.

d) **Collaboration:** encouraging candour and co-operation with stakeholders involved in policy decisions relating to COVID-19 spending and in its subsequent management to benefit from their skills and knowledge.

e) **Practicality:** looking for achievable solutions which can be realistically delivered within the wider fiscal context and in the near future to maximise impact.

f) **Additionality:** adding value rather than replicating existing efforts. I have reviewed existing programmes to provide assurance about the work that has been done and made recommendations that build on existing work.

g) **Delivering for taxpayers:** looking for cost-effective solutions and maximising financial returns for the taxpayer, so that public money is spent on education, healthcare and other priorities rather than enriching fraudsters.

1.18 I have drawn extensively on my own knowledge and experience from working in the private sector, in the NHS, and in professional regulation. Notwithstanding my collaborative, solutions-focused approach, I have provided robust challenge to individuals and to departments where necessary, addressing mistakes made during the pandemic and errors and omissions in efforts to make recoveries since. I have responded to the expectation of the public that every effort should be made to recover money lost to fraud and error during the pandemic and that we should be protected against any repetition in future.

1.19 This work is not a comprehensive audit of all COVID-19 related frauds. It has not been possible within my twelve-month tenure, outside the specific brief to review PPE procurement, to closely review all expenditure. Rather, this report focuses on areas with the greatest levels of loss and the highest prospects for recovery. It looks at those areas assessed to have the highest risk of fraud and those where counter fraud activity to date has room for improvement.

Engagement

1.20 Although based in His Majesty's Treasury (HMT) and reporting directly to the Chancellor of the Exchequer, the project has been a cross-government effort. The findings and recommendations presented in this report are based on a variety of sources. I have sought to achieve a balanced view and to support practical recommendations that can deliver real value.

1.21 I have engaged extensively with key stakeholders across government through a series of roundtables, complemented by numerous formal meetings and informal discussions. Current and former civil servants have provided invaluable insight into the period of the pandemic and also highlighted the continuing challenges and opportunities in driving counter fraud activity.

1.22 The report's approach has been informed by the earlier scrutiny of COVID-19 spending by other organisations including the PSFA, the NAO, and the Government Internal Audit Agency (GIAA). I have drawn

on the extensive evidence already available on the issue of fraud in government COVID-19 spending but, where necessary, I have commissioned new analysis to ensure recommendations are made on a sound footing.

1.23 I am grateful for input from outside government. Evidence submitted by organisations and conversations with individuals motivated by public spirit have informed my thinking. Private and third sector organisations and individuals have provided useful challenge to government viewpoints. I am grateful to members of the public with relevant expertise who approached me to share their experience. I have consulted leading figures in healthcare management, the insurance industry and academic study of risk and crisis management. Tackling fraud and improving government capability has been a team effort.

Time since the pandemic

1.24 Attention may have moved on, but strong emotions continue to surround the COVID-19 pandemic and the response of the UK government.

1.25 Approaching six years since the first COVID-19 lockdown, the landscape has changed greatly. Government has improved its counter fraud capability through legislative measures such as the Procurement Act 2023, administrative changes including the creation of the PSFA, and provision of guidelines to public bodies from the Government Commercial Function (GCF), Government Grant Management Function (GGMF) and Government Debt Management Function (GDMF).

1.26 Recovering public money lost to COVID-19 fraud is harder now than it would have been in the immediate aftermath of the pandemic. In many cases, evidence has degraded, stolen funds have been dispersed or moved offshore, and the justice system has had to deal with other priorities, which means that there is limited capacity to pursue COVID-19 fraud cases without deprioritising other issues. There have also been significant limitations on the ability to get a full picture of the details of COVID-19 spending, as key decision makers have moved on and information has been lost.

1.27 Nonetheless, this project has demonstrated that it is possible to achieve results, despite the passage of time, by recovering funds for the taxpayer and learning lessons after the conclusion of a crisis. The Public Authorities (Fraud, Error and Recoveries) Bill (PAFER) - which is currently awaiting Royal Assent - provides new powers and, importantly, will allow for action against COVID-19 fraud to continue for a further six years beyond the normal limit.

1.28 Counter fraud work has not stopped, with experts across government continuing to investigate suspected fraud and error. The current government is estimated to have delivered almost £400 million in COVID-19 fraud and error benefits, including fraud recoveries related to PPE expenditure, the BBLS and HMRC schemes. I believe there is much still to be done.

Chapter 2

Findings

2.1 This section contains chapters covering PPE procurement, government support to businesses and individuals, and recovery efforts by government. These findings reflect the analysis, undertaken with the assistance of my team, of the wide range of information provided by government departments and others.

PPE Procurement

Introduction

2.2 This chapter addresses the performance of DHSC recovering money lost to fraud, abuse and error in PPE procurement during the pandemic, primarily the spending by the 'PPE Cell' which brought together DHSC, NHS England and the Government Commercial Function (GCF) to co-ordinate UK government spending on PPE. I reported to the Chancellor on the outcome of this work at the beginning of April 2025. A copy of the full report appears in Appendix D, edited only to exclude confidential material bearing on continuing or future litigation against PPE suppliers.

Key Findings

2.3 The cross-government effort through the PPE Cell purchased far more PPE than proved necessary, as a result of lack of preparedness and lack of visibility of front-line stock. The UK spent considerably more than comparable health economies on PPE, accounting for 65% of all European spending on PPE in 2020 compared to 14% in 2019. DHSC's Annual Reports and its evidence to the COVID-19 Inquiry describe the purchase of over 38 billion items of PPE between February and July 2020, of which 11 billion items had not been used by March 2024, and losses of £10.0 billion. This sum is more than three times the amount spent each year by the NHS on maternity services and neo-natal care in England, or roughly 70% of the mental health budget. The over-purchasing resulted from the UK being unprepared for the pandemic because of problems with its emergency stockholding and lack of visibility of the distribution of stock around the NHS, which led to complaints from clinicians about PPE shortages in the early weeks of the pandemic, and lack of supply to community services.

2.4 **There was a high level of fraud compared to actual PPE usage.** DHSC's 2023-2024 accounts estimate PPE fraud of £324 million, equivalent to 2.4% of the PPE total spend on PPE during the pandemic.

However, this figure does not tell the whole story and must be considered alongside the issue of over-ordering. Over-ordering and the subsequent write-downs and write-offs mean that fraud makes up a much larger proportion of the PPE that we actually used and paid fair prices for. Over-ordering both increased the risk and amount of fraud while obscuring its total impact. £324 million in estimated fraud, while representing 2.4% of PPE total spend, is equivalent to 8.5% of the net value, at regular non-crisis prices, of the PPE actually used.

2.5 Over-purchasing reflected poor forecasting and modelling, and a commitment made early in the pandemic to very rapidly purchase 12 months stock in advance. The DHSC, with external consultancy support, developed forecasts of demand which projected the need for 2.15 billion pieces of PPE per month which was double the level demanded in any single month during the pandemic. The DHSC then placed orders on these volumes to cover the next twelve months, with a further contingency of 20% to cover the risk that some supplies would not arrive. The challenging conditions of the early months of the pandemic created considerable uncertainty and justified purchasing at the high levels forecast until the actual patterns of demand became clear. However, placing orders for twelve months ahead at these levels proved extremely costly and created an environment in which profiteering and fraud was more likely.

2.6 The intensity of UK Government PPE Cell purchasing increased the risk that it would pay higher prices and need to engage with unknown and untested suppliers. While the urgent, intense purchasing by the UK Government PPE Cell was necessary to mitigate the critical risk of a national PPE shortage (which could have led to hospitals being overwhelmed and a far greater loss of life), this approach also amplified the risks to procurement. Specifically, the intense purchasing increased the likelihood that the government would pay higher prices and need to engage with unknown and untested suppliers. DHSC's purchases were on a scale that are likely to have driven prices up in a way that would not otherwise have arisen from the activity of a medium sized nation and raised the concerns of the public about alleged price-gouging and profiteering. Factories understandably responded to the surge in demand by selling their capacity to the highest bidder, exploiting the opportunity to make profits while they could. The over-ordering resulted in government paying spot prices at the top of the market, not just to address urgent short-term needs but for long-term supply. Prices for PPE are reported to have started falling from June 2020, by which point most of the PPE Cell's orders had been placed. Purchasing such a volume in a short period reduced the opportunity to make repeat purchases from suppliers with a track record. A more evenly paced approach to ordering would have resulted in government taking advantage of prices falling after their early peak and making a more realistic assessment of demand before committing to long-term supply arrangements.

2.7 **Over-purchasing created problems in making recoveries against disputed contracts**. The over-ordering also resulted in such a flood of PPE supply that the DHSC's warehouse and inbound goods handling capacity was rapidly exceeded. This meant that PPE remained in shipping containers for as long as two years before being inspected, with the consequent problems for contract dispute resolution.

2.8 Most of the value of the disputed PPE contracts came from contracts to purchase gowns, which were the PPE item most over-purchased. At the end of March 2023, DHSC was holding over 104 months stock of gowns. Gowns represented 84% of the value in dispute, with 52%, by value, of gown supplies being non-compliant either in documentation, specification, or quality.

2.9 Lack of transparency, delayed contract publication and the HPL undermined public trust, although do not appear to have contributed to the problem of contested contracts. Questions have been raised about the quality of deliveries from suppliers introduced to DHSC via the HPL. Under this scheme, suppliers introduced by officials or politicians were treated as high priority to enter the process for consideration ahead of others. They were then subject to the same review as other potential suppliers although in the first phase of the pandemic this required few checks. I was told that the HPL was developed as a response to the DHSC being flooded with well-meaning offers to supply small quantities of unsuitable product, in response to a "Call to Arms" from the Prime Minister and the DHSC Secretary of State. Notwithstanding concerns from early reports about the quality of deliveries by HPL suppliers, my analysis of the HPL contracts suggests that they were no more likely to be subject to dispute than those from outside the HPL. However, the absence of a material difference in the quality of deliveries does not justify the departure from good procurement practice and the impact on public trust created by the existence of the HPL. Similarly, the failure to publish details of PPE contracts on time, highlighted by the UK Anti-Corruption Coalition, undermined public trust in government and invited suspicions about corruption.

2.10 **DHSC responded effectively once the scale of over-purchasing had been recognised.** In August 2020, DHSC established the "Turn the Tap" programme to renegotiate contracts where possible, cancelling orders worth £0.7 billion. It established the Contract Dissolution Team, originally with 30 staff, reducing to 4 by 2024, to challenge underperforming suppliers where problems with documentation, non-compliance with specification, or quality had not been resolved by replacing defective product, providing required documentation or refunding payments. DHSC disputed 64 contracts worth £1,479 million placed through the Parallel Supply Chain. 55 contracts worth £1,258 million remained unresolved or were awaiting a ministerial decision for write-off in December 2024, including some approved by ministers before the 2024 election but held over by the incoming government until I could consider the case independently for them to be written off

or the claim abandoned. Having reviewed the unresolved contracts with the DHSC Contracts Dissolution Team, including discussing the more complex cases with lawyers retained to advise and represent DHSC, I endorsed the proposals of officials to ministers for claims against suppliers relating to 49 contracts worth £762 million to be waived or abandoned. The recommendations reflect the low prospect for success in litigation to recover money from the suppliers, in relation to the cost of taking further action.

2.11 **DHSC engaged effectively with others to pursue fraud after the crisis**. DHSC referred suppliers and contracts to law enforcement partners where there were suspicions of fraudulent activity. In addition, DHSC shared PPE, Test & Trace and ventilator procurement data with HMRC so it could check that the correct tax had been paid by those companies. This cross-government collaboration has resulted in HMRC opening both civil and criminal investigations for suspected under-declarations of tax.

2.12 **Further action on recoveries remains possible**. 8 contracts worth £325 million remain live with litigation to recover disputed sums either under way or in prospect. DHSC's litigation against PPE MedPro was successful, and action continues to recover the £122 million settlement ordered by the High Court. A handful of the suppliers involved have been referred to the National Crime Agency for investigation for possible fraud. In addition to the live contracts, there may be potential for some financial recovery from the liquidators of 7 suppliers, who were accountable for disputed contracts worth £95 million. Fraud may be involved in some of these cases but taking them further is frustrated by key individuals being outside the UK.

Government support to businesses and individuals

Introduction

2.13 This chapter sets out my findings on the economic support provided by the UK government to businesses and individuals during the pandemic. It provides an overview of the economic support as well as the design and implementation of counter fraud controls in this spending.

2.14 Government responded to the economic impact of the pandemic with a package of measures, including additional expenditure for existing programmes and newly created schemes specifically designed to alleviate the pandemic's impact. According to the NAO COVID-19 Cost Tracker, between the start of the pandemic and June 2022, the UK government is estimated to have spent £147 billion on support for businesses, £59 billion for support for individuals, £3 billion for other support, and £2 billion for operational costs.

2.15 The chapter first covers the headline findings of my review, before providing a more detailed view of spending as broken down by the three primary delivery mechanisms for economic support: loans, grants, and direct sectoral support.

Key Findings

2.16 **Economic support measures were highly varied.** The NAO identified 70 separate measures in support of individuals and 73 measures supporting businesses, but these ranged from the £69 billion spent on the CJRS to the £800,000 spent by the Department for Environment, Food & Rural Affairs (DEFRA) in grants to support England's ports and fishing industry. The form of support also varied significantly, including grants, loans and direct support to sectors such as the rail industry.

2.17 **Spending was spread across government with varied results**. Economic support measures were spread across almost every department and public body. This shared the burden of providing economic support and drew on the expertise of different organisations. However, it also led to inconsistent outcomes. Many public bodies had never made payments on this scale before, and counter fraud capability varied significantly.

2.18 **Government often lacked the necessary data to effectively target economic support.** In some cases, such as support to the rail industry, the government already had detailed information and an established relationship with the partners it was supporting. However, in others, such as the small business sector, it had very little data. Departments shared data slowly, if at all, making it easy for fraudsters to claim under more than one scheme and secure dual funding.

2.19 Where multiple organisations were involved in the delivery of spending, visibility and counter fraud controls were often compromised. Significant volumes of central government expenditure were delivered in collaboration with other organisations, most notably commercial lenders in the DBT COVID-19 Loans Schemes and local authorities. Collaborating with these organisations allowed central government to draw on their existing capabilities but led to reduced visibility in how this spending was managed. The responsibility for managing fraud risk was unclear or insufficiently incentivised in some schemes that had a 100% government guarantee.

2.20 **Departments generally worked independently to design their own schemes from scratch**. The high degree of novelty in the design of many COVID-19 support schemes introduced greater fraud risk, especially since cross-government fraud expertise was often not brought in to advise on risk mitigation. Developing schemes from a prepared playbook would have been a more secure approach, leveraging existing counter-fraud knowledge to reduce vulnerabilities.

2.21 **Prioritising speed in the design and delivery of economic support resulted in a high level of fraud risk.** It was accepted in many schemes that the rapid design entailed accepting a high level of fraud risk, without plans for managing or mitigating this risk. Ministerial Directions to proceed with, or accelerate, a scheme were often treated as the end of the conversation rather than the start of a process to iterate and improve counter fraud controls.

2.22 **Counter fraud controls were improved only gradually in many schemes.** Over time, the government reduced the level of fraud risk in COVID-19 support schemes through increased controls. However, the pace of these improvements was inconsistent. Many schemes retained weak controls far beyond the end of the initial crisis period. For example, Cifas, the fraud prevention database service, was only engaged to banks share data about BBLS lending, to prevent multiple loans to the same borrower, after two thirds of the funding had been disbursed.

2.23 Unprecedented economic support resulted in large increases in overdue debt owed to government, putting pressure on recovery functions. Extensive financial support led to the creation of new debt, driven by defaults, errors and fraud. Many departments that had not previously managed significant recovery programmes found themselves responsible for large debt portfolios. Worsening financial circumstances for individuals and businesses further increased departmental debt balances. Collectively, these factors led to a sharp rise in overdue debt owed to government from typically £22-24 billion prior to the pandemic, to a historic high of £64.3 billon on 31 March 2021. Progress has been made in recovering debt owed to government, but the level of debt remains significantly higher than pre-pandemic figures at approximately £53.5 billion on 31 March 2025.

Grants

2.24 **Many government departments and ALBs supported the economy, including the third sector, through grants.** Many public bodies are familiar with spending through grants. Consequently, governance arrangements are generally better established for grants than loans.

2.25 **Many grants and loan schemes were launched without Fraud Risk Assessments (FRAs) or were slow to update them.** Assessing the fraud risks associated with a scheme is the first step to managing them and limiting the loss to the taxpayer. My team's review of the responses of the Accounting Officers' responses to my enquiries and previous work by the PSFA revealed areas of both weakness and good practice in FRAs. Many FRAs were only conducted after a scheme's launch, as with the BBLS, or were not conducted at all. Where FRAs were conducted, their effectiveness was inconsistent. Some public bodies, like the DfE, had their FRAs prepared or reviewed by experienced counter fraud professionals. In other cases, central functions such as the

Grants Management Function, conducted these reviews. Additionally, some bodies, such as Arts Council England (ACE) with the cultural recovery fund, demonstrated an iterative approach, refining their FRAs and strengthening controls as spending progressed.

2.26 **Many schemes utilised well-established controls to help prevent and detect fraud.** Prior to the pandemic there was already a range of 'off the shelf' counter fraud controls provided by third parties such as the Government Grant Management Function's Spotlight tool, credit reference checks, Cifas and the National Fraud Initiative (NFI). These controls enabled public bodies to check an applicant's eligibility for schemes, confirm an applicant's identity, often known as Know Your Customer checks, and verify that bank account details match the grant applicant. These checks could also ensure that the applicant is not already a known fraudster, for whom more detailed scrutiny of their eligibility may be appropriate. In some cases, where the support was going to a regulated industry, such as charities or food production, public bodies were also able to draw on their own internal or external registers to ensure government support went only to those eligible.

2.27 **Data sharing between public bodies to detect and recover fraud and error proved difficult during and after the pandemic**. Effective data sharing is crucial for verifying grant eligibility, preventing dual funding (where businesses claimed COVID-19 related costs from multiple bodies), and detecting inflated turnover to either access a scheme or increase the size of the grant being claimed. Several departments, including DCMS, DSIT, and DfE, recognised dual funding risks in their grant schemes, especially with HMRC's CJRS. Despite HMRC confirming a legal gateway to enable data sharing, ACE struggled to secure timely data sharing so relied on self-reporting surveys. NAO reports consistently highlight data sharing challenges in both routine operations and emergencies. Improved data sharing could have prevented issues with grants schemes by:

a) **Verifying grant eligibility:** Data sharing powers between departments would have been invaluable for authenticating applicants' businesses and recovering incorrectly paid funds for grants.

b) **Preventing dual funding:** Timely agreements to share data between departments and local authorities would have identified businesses claiming the same COVID-19 related costs from different local authorities or central departments. I have seen examples of departments checking and working on dual funding recovery after payments have been made.

c) **Addressing sole trader activity and business misrepresentations:** Wider data sharing with HMRC regarding sole trader activity may have significantly aided departmental and local authority fraud teams in identifying businesses misrepresentations before grants were issued.

d) **Providing real-time data between departments and local authorities:** Many local authorities needed real-time data from various sources, including utility providers and financial institutions, to identify liable parties, update records, and prevent application fraud. 63% of councils cited lack of powers to acquire data as a major barrier, limiting their ability to investigate and respond effectively. The biennial NFI process was often out of sync with these real-time needs.

e) **Overcoming reluctance to share data:** The reluctance of public bodies, banks and financial institutions to share data was a major obstacle. More clearly defined legal gateways and, in some cases, powers to compel data disclosure would have enabled more effective verification and recovery efforts.

2.28 **Grants delivered through other public bodies enabled faster or more targeted support but often compromised accountability to Parliament for the propriety and regularity of that spending.** Departments channelled grant expenditure through either ALBs or local authorities. When grants were delivered via ALBs, there was typically greater clarity and accountability regarding fraud and error levels. However, accountability became more challenging when support was delivered through local authorities. *Managing Public Money* (MPM) acknowledges this inherent tension, outlining considerations for Accounting Officers when spending with third parties, emphasising that:

> *"The autonomy of each organisation needs to be buttressed by sufficient accountability to give Parliament and the public confidence that public resources are used wisely" (MPM para 7.1.2)*

2.29 **MHCLG could not provide me with assurance on the levels of fraud and error in its COVID-19 spending.** MHCLG's response to my request for information about further fraud detection and recovery activity on COVID-19 spending explains most of MHCLG spending was conducted through local authorities. The response indicates that, in the Accounting Officer's view, accountability for grant expenditure fraud and error rests with the local authorities in line with the Local Government Accountability Framework in the MHCLG Accounting Officer System Statement. However, the Accounting Officer System Statement also clarifies that the Accounting Officer remains responsible for the regularity, propriety and value for money of spending related to departmental priorities, which includes the areas where MHCLG spent money during COVID-19 (homelessness, supporting communities, delivering local economic growth).

2.30 **Differences in departmental approaches to accountability for spending through local authorities led to an inconsistent view of the levels of fraud and error in COVID-19 spending.** MHCLG's approach contrasts with DBT's, whose Grants Delivery Directorates worked with local authorities. DBT established a referral process for local authorities to report irregularities and recovery.

2.31 **Officials told me that capability and capacity to tackle fraud in local authorities is highly variable.** This perspective was endorsed by local government finance officers I spoke to who cited examples of outstanding practice as well as examples of local authorities who have applied little resource to this area. The NAO's 2023 report on COVID-19 Business Grant Schemes echoes this concern, highlighting the challenges faced by local authorities in effectively delivering, at pace, central government schemes that they had little input and insight into. My review suggests that Accounting Officers are not receiving sufficient assurance that grants are being used as intended, including whether sufficient efforts have been made to manage and recover fraud and error in line with Parliament's intention.

2.32 **My review revealed a range of approaches adopted by public bodies for managing their potential fraud risks**. Not all are suitable for every scheme, particularly in urgent crisis situations. Nevertheless, the evidence suggests that these methods were effective in combatting fraud. The approaches included:

a) **Scoping risks:** Some public bodies mitigated fraud risks by only dealing with known organisations. For example, Historic England limited its capital grants to entities with whom it had a prior relationship. However, this was not an option for many other bodies.

b) **Risk scoring the population of grant applicants and targeting assurance and review:** Some public bodies were able to risk score grant applicants, allowing them to focus their counter fraud detection and recovery efforts more effectively.

c) **Iterating controls as schemes continued spending:** Some departments and ALBs refined fraud and error controls as spending progressed. For example, ACE introduced payee verification and began using the NFI to check grants in the third round of the Cultural Recovery Fund.

d) **Enhanced scrutiny for larger grants:** Some public bodies adopted a risk-based approach, applying greater scrutiny to larger expenditures or those deemed higher risk. The National Lottery Community Fund (TNLCF) implemented this strategy**.**

e) **Continuing to publish grant and loan recipient data:** Some organisations published their COVID-19 grants and loans, such as UK Research and Innovation (UKRI) who released the details of the grants they awarded. Although this transparency does not

directly prevent fraud and error, it does provide a potential deterrent.

f) **Outsourcing detection work to professional service firms:** The National Lottery Community Fund outsourced its detection work to professional accounting firms. This approach should be considered by departments and ALBs lacking the internal expertise or capacity within their existing counter fraud teams.

g) **Delivering schemes at a slower pace, allowing greater opportunity to prepare to manage fraud:** Scheme design generally improved over the course of the pandemic, reducing the risk of fraud. In the Business Support Grant schemes delivered by BEIS, for instance, the NAO found that 90% of losses to fraud and error arose during the initial wave of schemes. Scrutiny was often effective in driving improvements. For example, following an audit by the GIAA, DEFRA strengthened controls for the 'Zoo Animal Fund' scheme, reducing the estimated level of fraud and error from 15.8% to 1.68%.

Loans

2.33 Loan schemes were also used by government to support businesses and other organisations during the pandemic. Loans, as a form of government economic support, were less established than grants and their associated governance was similarly less developed. It is estimated that a total of £133 billion was guaranteed or disbursed by HM Government in major loan schemes during the pandemic, with £82 billion issued by lenders under a government backed schemes overseen by BEIS and its ALB the British Business Bank (BBB), according to the NAO Cost Tracker as at June 2022. DCMS provided £474 million in loans to support UK sporting and cultural organisations. The Bank of England extended £38 billion in support to the largest companies via the COVID-19 Corporate Financing Facility (CCFF). This scheme had a low fraud risk, with loans going to very large, well-established firms. All borrowing from the CCFF was fully repaid by March 2022, yielding a profit of £60 million. This facility has not been a focus of my review.

Business support loans from DBT and BBB

2.34 BBB utilised loans to support small, medium and large businesses, principally through commercial lenders but also directly. The Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan schemes (CLBILS) and Recovery Loan Scheme (Phases 1 and 2) provided government guaranteed loans (up to 100%) via different commercial lenders. The Future Fund scheme, also managed by DBT through BBB, was a convertible loan scheme designed to support companies looking for venture capital during the pandemic when there was limited appetite to lend to SMEs, where

loans convert to equity shares when certain thresholds have been met and upon private sector investment. Table A provides an overview of the loan schemes.

Table 2.A Overview of BBB managed pandemic loan schemes as of September 2025

Scheme	Total amount loaned (£bn)	Percentage of loan guaranteed by government	Loans fully repaid by borrower (£bn)	Loans partially repaid by borrower (£bn)	Loans in default or arrears (£bn)	Loans defaulted where the government guarantee has been paid[1] (£bn)	Outstanding loan balances being repaid (£bn)
BBLS	46.5	100%	7.8	19.1	1.3	11.4	6.9
CBILS	25.8	80%	15.6	7.3	0.2	1.1	1.7
CLBILS	4.5	80%	4.4	0.0[2]	0.0[3]	0.0[4]	0.1
RLS (P1&2)	4.3	70%	1.4	1.4	0.1	0.4	1.1
Future Fund	1.1	n/a	0.1	n/a	0.3	n/a	0.7[5]

Source: COVID-19 loan guarantee schemes repayment data: September 2025, Recovery Loan Scheme (iterations 1 & 2) Performance Data as at 30 September 2025 and Future Fund Portfolio Overview as at 30 September 2025

2.35 **These loan schemes represented some of government's largest economic support measures.** As many borrowers did not repay and the lenders claimed on the government guarantee, the financial loss to the taxpayer was significant. Around 27% of all BBLS loans by value were either in default, arrears or lenders had drawn on

[1] Loans where the government guarantee has been paid represents where lenders have sought to claim the guarantee from government.

2 0.0% is the result of rounding and should not be taken to imply that the final figure is 0.

3 0.0% is the result of rounding and should not be taken to imply that the final figure is 0.

4 0.0% is the result of rounding and should not be taken to imply that the final figure is 0.

[5] The £0.7bn outstanding loan balance on Future Fund comprises £65million of outstanding loan balances and a £668 million in borrowing company shares the BBB holds the government's interest in.

the government guarantee as of September 2025. For the Future Fund, which addresses the same group of businesses as the BBLS, the default rate is similar at 26%. The equivalent figures for CBILS and RLS are 4%, and 16% respectively. The CLBILS, which was only available to larger businesses, saw the government guarantee being called in for only 1% of the total amount loaned. Many of these guaranteed claims are an expected consequence of business failures, particularly during the challenging economic conditions of the pandemic. However, in addition to this genuine credit loss, there is also evidence of loss due to fraud.

2.36 **While fraud and error have been detected across most schemes, BBLS has received particular attention.** The first reason for this emphasis is that the overall spend and cost to the taxpayer of claims against the BBLS loan guarantee are greater than the other COVID-19 loan schemes. The second, acknowledged by stakeholders within and outside BEIS, is that the design of the BBLS created specific vulnerabilities to fraud and error. Current estimates indicate fraud and error losses of up to £2.8 billion in the scheme. Lenders have reported over £1.9 billion in BBLS loans flagged as 'suspected fraud' to the British Business Bank (BBB) on which the government has paid out the guarantee for £1.6 billion. The PSFA believe the actual level of fraud and error is likely to be higher than these figures. This is because the detection controls within the scheme will not always pick up some of the known fraud types, particularly the risks of borrowers declaring inflated turnover and using the funds for non-business purposes.

2.37 **BEIS and subsequently DBT, along with BBB, lacked the necessary capabilities to effectively manage the fraud and error risks associated with a substantial loan portfolio.** Both organisations recognised the high fraud risk of the BBLS from its inception, leading them to seek, and ultimately receive, Ministerial Direction to proceed. (A Ministerial Direction is a formal instruction issued by a Minister to proceed with a course of action despite the departmental Accounting Officer's written objection that the proposal breaches one or more of the core principles within *Managing Public Money*.) BBB raised its own concerns about the BBLS in a Reservation Notice to BEIS Secretary of State on 2 May 2020. (A Reservation Notice is equivalent to a department seeking a Ministerial Direction and is used when a public body has concerns regarding the propriety, value for money or feasibility of a proposal.) They explicitly identified concerns about the "compressed timetable" for scheme delivery, stating that it would impede the establishment of 'robust controls and governance' essential for the appropriate use of funds. Despite these concerns from the Accounting Officers, DBT struggled to adequately resource the management of counter fraud within the BBLS scheme. Lord Agnew drew attention to this in his January 2022 resignation speech, noting that there were only two counter fraud staff in the department at the start of the pandemic.

2.38 **Inadequate checks facilitated significant volumes of fraudulent applications.** Demand for BBLS exceeded the department's initial expectations, with the scheme making 1.5 million loans worth £46.5 billion by September 2021. Applicants were able to claim BBLS loans with limited checks beyond standard banking fraud controls. For the government to pay out on the guarantee, lenders were required to conduct standard Anti Money Laundering, "Know Your Customer" checks, and their standard fraud checks, but it is unclear how consistently this was undertaken. Standard controls that are suited to commercial lending were not necessarily sufficient to deal with the unique fraud risk profile of the BBLS. For example, thousands of businesses received multiple loans in contravention of the scheme's rules, partly because multiple loan checks only started in June 2020, after the majority of loans had already been paid out. BBB estimated that up to 2.3% of approved applications were multiples. Loans were limited to 25% of the borrower's turnover in the previous year (or a maximum of £50,000) but this relied on self-certification alone, not least because small limited companies are not required to file profit and loss accounts at Companies House. Applicants for BBLS loans were required to declare that their business "has been adversely impacted by COVID-19" but no detail was required of the nature of their business activity and the adverse impacts, and no checks were made. Restrictions were placed on the purposes to which loans were used, including capital expenditure and payment of dividends, but without any ready means of detection or ways to monitor compliance.

2.39 **BEIS and BBB were slow to improve counter fraud controls as clear issues emerged**. The BBLS was launched within two weeks of the Chancellor proposing it to BEIS, providing insufficient time for full consideration of fraud risk and the design of counter fraud controls. A full FRA was not started until October 2020, five months after launch. The Cifas multiple loan check was made available to banks from 2 June 2020 but was not mandated until 25 June and with no guidance provided to lenders until 25 September. Crucially there was no contractual arrangement to oblige lenders to undertake this check. A flag to identify inactive companies applying for BBLS using Companies House data was not introduced until July 2020 when 69% of loans by value had already been paid out. Had the speed of the scheme's launch been matched by the introduction of controls, significant volumes of fraud could have been prevented. An earlier implementation of the multiple loan check could have, by itself, potentially prevented hundreds of millions of pounds of fraud and error against the taxpayer,

2.40 **The delegation of responsibility to lenders created challenges for detecting and pursuing fraud and error.** BBB delivered the BBLS loan scheme through partnerships with 25 commercial lenders ranging from major high street banks to newer, smaller 'challenger' institutions, and over 100 lenders in the case of CBILS. This enabled BBB to leverage its existing infrastructure and distribute funds at exceptional speed. However, the 100% government guarantee diluted lenders' financial incentive to detect and pursue fraud. Some BBLS lenders also had little

experience in giving loans of this size to small businesses which, without significant checks, increased the risk of fraud going undetected. Few borrowers had experienced such easy access to credit which created conditions that encouraged 'opportunistic' fraud. The loans fell outside Financial Conduct Authority (FCA) regulation.

2.41 **DBT and BBB have struggled since the scheme's launch, to agree consistent action to tackle fraud and error, given the need to work with multiple lenders.** The involvement of commercial lenders in the loan schemes created difficulties in coordination and governance, as any policy or operational change required negotiation across multiple lenders, each with their own compliance and approval processes. As the loans were 'owned' by the commercial lenders, there were frequent delays or difficulties in obtaining and acting on key data related to the BBLS. I witnessed these in the design and implementation of the Voluntary Repayment Scheme, which is discussed below. Designing and agreeing a light touch scheme took around six months as we navigated complex governance routes and numerous stakeholders, often with differing viewpoints. Despite its persistence, PSFA experienced similar problems implementing a letter-writing pilot to encourage repayment, which took a year from conception to delivery.

2.42 **Data analytics has played a role in targeting potential fraud and error for enforcement and recovery from BBLS, but there is more work to do.** BBLS borrowers' data has been analysed extensively, principally by the PSFA. This work has produced indicators of fraud and error ranging from multiple loans and turnover inflation to applications from non-trading entities. The GIAA has recognised savings of £531 million, representing a combination of fraud and credit loss prevention, government guarantee removal from loans (which places any loss from a loan on the lenders rather the taxpayer) and cash recoveries. However, I have recommended further analytical approaches to DBT for exploring this data.

2.43 **The Dissolutions Objections Process (DOP) helped protect the taxpayer from losses in BBB's COVID-loan schemes[6].** DBT, in collaboration with Companies House and PSFA, created a process identifying companies who applied to be dissolved while having an outstanding BBB COVID-19 loan. Companies dissolve (also known as 'striking off') when they have ceased trading and settled their outstanding liabilities. In the case of BBB loans (BBLS, in particular), early analysis indicated abuse of this process, with companies applying to dissolve without settling their loans. Under the DOP, if a company

6 A dissolution objection is raised against any company which holds an outstanding government guaranteed Covid loan facility (including BBLS, CBILS, CLBILS, RLS and Future Fund) Dissolution objections are raised regardless of whether the company director(s) or the Registrar of Companies has placed the Gazette notice. The raising of a dissolution objection is not indicative of borrower misconduct relating to a Covid loan facility.

attempts to abuse the dissolution system to avoid the scrutiny an insolvency process would place on its conduct, strike off can be blocked. In the case of companies with outstanding COVID-19 support scheme loans, DBT has blocked all applications to strike off. This prevents companies who have received a COVID-19 loan fraudulently from simply dissolving rather than repaying and encourages them to instead repay the loan. Around 250,000 companies with outstanding COVID-19 loans have been prevented from dissolving using the DOP.

2.44 **While the DOP has helped to limit losses from BBB COVID-19 loan schemes there is still much that needs to be done to bring resolution to the process.** The DOP has been successful in prompting some 70,000 businesses with outstanding COVID-19 loans not to dissolve, many of whom would have committed fraud. PSFA estimates this has resulted in £264 million in benefits to date, with potentially around £600 million more to come as companies who have withdrawn from dissolution continue to trade and repay their loans. However, limited capacity to investigate whether the loan was obtained fraudulently means that many companies that have become insolvent for legitimate, non-fraud reasons have been prevented from dissolving. These companies could engage in a formal insolvency process but, with no prospect of recovering funds and no fraud suspects, it would offer little value for money for either side. DBT told me that around 180,000 companies remain blocked by a dissolution objection, and there is no clear route to identifying and resolving the non-fraud cases or investigating many of the suspected frauds. I have provided recommendations that are likely to generate fresh, cost-effective routes to resolving these problems. These have been accepted by the government, with funding allocated at the recent Budget.

2.45 **The Future Fund represents an area of ongoing activity where BBB needs to manage the fraud risks.** Under the Future Fund, applicants could take out a repayable loan which would convert into equity shares when the loan matured or if the company raised additional capital. BBB lent £1.1 billion through Future Fund of which £0.67 billion has been converted into shares which government now owns (Table A). BBB used a range of measures during the application process to identify potentially ineligible or fraudulent applications. Borrowers are obliged to provide quarterly management information to BBB while Future Fund borrowings remain as a loan. However, this becomes optional when the loan converts into shares, which increases the fraud risk as BBB has less insight into the companies. BBB has explained that, as with loans, it has restricted companies from dissolution using the DOP where it holds shares. BBB has identified companies which it has concerns about and is referring these on to an enforcement partner for potential action.

DCMS

2.46 **DCMS provided loans to cultural and sporting organisations as part of its COVID-19 support to the sport and culture sectors.** DCMS

lent approximately £474 million as part of the Cultural Recovery Fund (CRF) and Sport Survival Package (SSP) measures. These loans were managed by the ACE and Sport England respectively. DCMS had no prior experience of administering loans. Its management of the COVID-19 loan book has come under scrutiny from both the NAO and the PAC.

2.47 **Lending to a smaller group of organisations known to the DCMS ALBs allowed it to conduct greater checks than DBT and BBB could through their loan schemes.** Compared to DBT, DCMS made fewer loans, largely to known entities with whom the ALBs had a prior relationship. The ALBs were able to implement a wider range of controls and closer monitoring of the loans it gave out including: financial viability checks, Know Your Customer/Know Your Business verification, checks to sanctions lists, ID verification for applications to the SSP, checks on staff numbers, and bank account analysis. Sport England told me that it clawed back £0.3 million from 2 loans resulting from overstatement of need, in one case due to an accounting error and in another because the club received a COVID-19 related insurance payment.

Direct Support

2.48 Government departments also used direct support initiatives to assist the economy, in addition to grants and loans.

2.49 **Direct support to large businesses can protect economic activity with a low risk of fraud.** DfT provided around £20 billion through a range of grants and direct support to the transport sector during COVID-19 of which £14 billion was direct support to the rail sector. This substantial funding of a small number of organisations afforded DfT enhanced scrutiny of the costs paid to support the rail franchises. DfT used continuous monitoring with a finance manager for each franchise and with disallowable costs registers to deter opportunistic cost claims. DfT claim that it has a high level of confidence that key risks were effectively managed, with any isolated instances of irregularity addressed promptly and ineligible costs recovered.

2.50 **HMRC's expertise in counter fraud led to it being well placed to manage the risks associated with its COVID-19 schemes.** HMRC spent around £98 billion through the three support schemes it was tasked to deliver (CJRS, Self-Employment Income Support Scheme - SEISS and Eat Out to Help Out – EOHO). HMRC has a well-resourced and experienced counter fraud function. HMRC assured me that it considered the fraud risks carefully:

a) HMRC used risk ratings for CJRS, SEISS and EOHO claims to target its investigatory work. These ratings were built using its own data on claimants and allowed it to focus on the highest risk claims.

b) HMRC opened a reporting gateway which resulted in 23,000 intelligence reports to assess and a further 900 were received from the Public Sector Fraud Authority.

c) HMRC iterated its approach, for example by adding new sources of intelligence. It also identified opportunities to find fraud by comparing claims between schemes. For example, a claim through EOHO by an employer could signpost an excessive claim for CJRS. This example of cross-scheme checking contrasts with the situation found in COVID-19 loan schemes.

2.51 **DWP pandemic spending was primarily outside COVID-19 specific schemes.** Spending on existing DWP programmes, most notably UC, increased significantly in response to the pandemic. Fraud and error in these programmes also increased as controls were eased. As this fraud took place outside COVID-19 support schemes and has received extensive scrutiny, notably from the PAC and NAO, I have not reviewed it for this report. DWP did deliver COVID-19 specific schemes however, including the Kickstart and Restart schemes which were designed to help unemployed people return to work and to mitigate the negative effects of unemployment. Subsequent scrutiny by the PAC has raised concerns about the management of fraud risk in Kickstart, including a lack of visibility into how employers used the funds they received through the scheme.

Chapter 3

Recovery Efforts

Introduction

3.1 This chapter describes government work to investigate, penalise and recover COVID-19 fraud and error. Following the previous section's examination of how the design and implementation of COVID-19 support schemes contributed to levels of fraud and error, this chapter looks at why more money lost to fraud and error was not then recovered.

3.2 Preventing fraud is usually more effective and delivers better results than attempting to recover it after the event. Nonetheless, recovery efforts remain important, both to return money to the taxpayer and to deter bad actors from committing fraud in the future. To date, of the estimated £10.9 billion lost to fraud and error from COVID-19 spending, £1.8 billion has been recovered, of which £1.3 billion has been recovered by HMRC.

3.3 Tackling fraud is not exclusively a financial question. In my review and in this chapter, I have focused primarily on the goal of recovering funds for the taxpayer. However, even in the absence of a financial return, penalties and sanctions can serve the interests of justice, deter future fraud and, by limiting the ability of bad actors to offend again, protect the public.

3.4 This chapter draws on my analysis and that of other organisations who have investigated recovery efforts on COVID-19 fraud. PPE is also largely excluded from this discussion as it is covered separately in the dedicated chapter above. Further detail on methods used for recovery is provided in Appendix A and on counter fraud efforts by departments in Appendix C.

Findings

3.5 **Recovery mechanisms received only limited up-front investment.** Despite the amount spent supporting businesses and individuals during COVID-19 and an acknowledged high risk of fraud, investment in fraud recovery was modest. Public sector fraud increased without a corresponding increase in the capacity to recover losses.

3.6 **There was insufficient capacity in existing enforcement agencies.** Traditional methods of addressing fraud, including the criminal and civil justice systems and enforcement agencies such as the National Crime Agency, Serious Fraud Office and Insolvency Service, were not adequately resourced to handle the unprecedented volume of

new cases generated by COVID-19 related fraud. The Insolvency Service has disqualified 2,516 directors for COVID-19 related misconduct since the start of the pandemic, but this is only a small fraction of the number of suspected cases.

3.7 **Effective recovery programmes used a variety of methods, appropriately targeted according to circumstance.** Successful fraud and error recovery programmes, such as HMRC's, used a targeted combination of approaches, tailored to the specific features of the scheme and the characteristics of the audience being addressed. This approach enabled public bodies to overcome constraints in any one method, such as limited court capacity, to deliver results efficiently.

3.8 **Counter fraud capability is unevenly distributed across public bodies.** Many departments responsible for significant spending lacked counter fraud capabilities prior to the pandemic. They did not have the necessary legal powers (both criminal and civil), skills, and experience to conduct effective recovery action. HMRC and DWP are the two main departments who have well-developed investigation and enforcement capability.

3.9 **Commitment to fraud recovery varied.** The commitment to recovering fraud varied across government, in some cases reflecting institutional culture and in others as a result of the level of public, press and political scrutiny. Areas in the spotlight, such as PPE procurement, received sustained attention and achieved better results. The absence of comparable external challenges probably reduced recoveries in less public-facing programmes. Furthermore, new priorities and the pressures to deliver 'business as usual' activity diverted attention and resources away from COVID-19 fraud recovery work.

3.10 **Incentives were often absent or misaligned.** Feedback from across central government, including the PSFA, indicated concerns that in certain schemes, particularly those delivered through commercial lenders with a 100% government guarantee and local authorities, delivery partners may have lacked sufficient incentives to pursue recoveries. I also interviewed people who suggested that in some instances the attention given to criminal investigation distracted from pursuit of recoveries and imposition of sanctions via civil routes which offered the prospect of an attractive return on taxpayer funds.

3.11 **Poor data quality and access.** Limited data sharing between public bodies and across sectors was an obstacle to cross-government anti-fraud efforts, slowing or even halting recovery projects. These difficulties were compounded by issues of governance, convoluted sign-off processes and a lack of understanding of the powers available under the Digital Economy Act 2017.

3.12 **Debt recovery capacity and capability was not considered in scheme design and deployment.** Well-designed recovery processes are important in the repayment of outstanding government debts, irrespective of consideration of possible fraudulent intent. Failure to

consider debt recovery capacity and capability during scheme development contributed to higher outstanding debt balances. This, coupled with stretched teams and limited resources, led to insufficient focus on recovery once the schemes concluded. The absence of clear recovery plans and dedicated recovery capacity in the scheme design hindered the resolution of errors and recovery of funds. Without robust recovery mechanisms, schemes were susceptible to abuse, stemming not necessarily from fraud, but from inherent weaknesses in scheme design, recovery planning, and operational capacity.

3.13 **Lack of urgency and decisiveness.** The most favourable prospects for successful fraud recovery exist in the immediate aftermath of a crisis when evidence is readily available and funds have not yet been dissipated. Regrettably, the urgency with which COVID-19 spending programmes were delivered was rarely matched by the counter fraud recovery response. In some cases, a reluctance to make difficult decisions, such as which cases to write-off, impeded effective action.

Chapter 4

Adopted Commissioner Proposals

4.1 Over the past year I have championed efforts to increase recoveries of COVID-19 fraud. Some of my recommendations have already been accepted and are in the process of being implemented. The Chancellor agreed to prioritise these recommendations as immediate and relatively low-cost actions government can take to recover money lost to COVID-19 fraud.

Covid Voluntary Repayment Scheme

4.2 On 12 September 2025 the government announced the 'Voluntary Repayment Scheme' (VRS) on my recommendation: a three-month window in which individuals and businesses can repay COVID-19 support money that they were not entitled to, misused or simply did not need. This initiative is in addition to existing government repayment schemes.

4.3 The scheme is low-cost to run, meaning that any recoveries made are paid directly to government, without the need for costly investigations. The VRS encourages individuals and businesses who received money they were not entitled to, or did not need, to voluntarily repay those funds. Individuals who repay the funds do not receive any legal guarantees of immunity and there is no legal settlement involved. However, their cooperation will be considered in targeting decisions for future civil or criminal investigations. The scheme does not require any admission of guilt or ask questions about the circumstances in which the support was claimed.

4.4 It also lays the groundwork for more robust enforcement down the line, by giving individuals and businesses one last chance to do the right thing before new enforcement powers come into effect through PAFER and new enforcement action begins following the publication of this report.

Covid Fraud Reporting Site

4.5 Also on 12 September 2025, the government launched the Covid Fraud Reporting Site (CFRS), a website where members of the public can anonymously report suspected cases of COVID-19 fraud. This is a spiritual successor of the COVID-19 fraud reporting hotline that ran between October 2020 and September 2022, which allowed members of the public to phone in to report suspected COVID-19 fraud.

4.6 Information provided through the form is received by the PSFA Intelligence team who triage and disseminate to the organisation responsible for administering the COVID-19 spending for consideration for investigation. Decisions on whether to open investigations based on CFRS reports ultimately rest with the organisation who receives the intelligence. Cases chosen for investigation may result in civil or criminal proceedings and in recoveries for the taxpayer.

4.7 I recommended bringing back an easy way for the public to report COVID-19 fraud, in a lower cost manner than a phone hotline. I wanted to give members of the public the opportunity to do the right thing, even five years down the line, and to ensure that the public has been given every chance to report suspected COVID-19 fraud.

4.8 Initial results from the CFRS suggest a continued public interest in COVID-19 fraud, with members of the public coming forward to report over 300 allegations fraud with a total value of over £35 million. The initial response also validates the importance of continued focus of the BBLS with 69% of all reports to the CFRS in its first month relating to that one specific scheme.

Covid Fraud Recovery Retention

4.9 The Chancellor announced in the 2025 Spring Statement, on my recommendation, that HM Treasury would allow departments to retain the proceeds of COVID-19 fraud recoveries, with the expectation that departments would extend this scheme to their agencies and local authority partners. This change is designed to improve the incentives for public organisations to pursue fraud by allowing them to repurpose the recoveries without undue HM Treasury interference. This excludes HMRC, because all of HMRC's COVID-19 scheme recoveries are included in tax receipts for the Exchequer.

4.10 I recommend that we make this arrangement ‘business as usual’ for the Treasury and ensure that departments extend this arrangement to their ALBs and local authority partners to provide a direct financial incentive for all of government to go after fraud against the taxpayer in all its forms.

Further Enforcement Action

4.11 I have further recommended that government makes full use of existing and forthcoming legislative powers to tackle fraud; and pursues innovative strategies to recover fraud and error quickly and cost-effectively. I saw particular value for this approach in the BBLS where the potential to significantly increase recoveries remains.

4.12 The government has accepted this recommendation and the Chancellor confirmed in the Autumn Budget the establishment of the new Public Authorities Fraud Investigation and Enforcement Service, together with plans to trial innovative approaches to enforcement

action for BBLs. This will operate on a 'test and learn' basis: gathering data to discover how best to reclaim COVID-19 fraud and draw lessons for all kinds of fraud against the taxpayer. Costing £17.5 million over 3 years, these projects trial new ways of going after low-level COVID-19 fraud and placing sanctions on more COVID-19 fraudsters.

4.13 The powers available to the Insolvency Service include disqualifying company directors for up to 15 years for misconduct, which includes committing fraud against the taxpayer. It can also apply to the High Court for a compensation order against a disqualified director, in favour of the company's creditors. I have proposed operational efficiencies for trial by the Insolvency Service to allow it to handle more cases at lower cost than at present.

4.14 The final part of this package addresses the problem of companies caught up in the Dissolution Objections Process because of COVID-19 loan default that was for genuine commercial reasons, have not committed fraud, provide no prospects of achieving any recovery and an insolvency process would not offer good value for money for either the directors or the creditors. I have recommended to DBT and the Insolvency Service that they introduce a new screening process over the DOP population to identify these companies and make arrangement for their removal.

Chapter 5

Lessons Learnt

Introduction

5.1 There is no point in identifying lessons learnt if they are not embedded. As an NHS Trust chair for thirteen years, I was the audience for reports into serious clinical incidents, all of which would include a "lessons learnt" section. It was frustrating how often the same lessons were repeated in reports following similar incidents only a few years later, suggesting that lessons identified previously had not been embedded. This is not unusual. In his guide to managing in a crisis, 'How to Survive a Crisis', Sir David Omand provides an account of his work advising ministers during the 2002 fuel crisis:

> *"I was fond of telling civil contingencies training courses the cautionary tale of COBR and how ministers decided not to designate taxis as essential services, which would have qualified them for priority fuel. It had taken rather more time than it should for ministers to debate this issue around the COBR table, balancing the convenience of the public in areas not well served with public transport (which of course did have priority status) with the issue of not wanting to appear to favour 'luxury' that benefited only the better off. Taxis were eventually declared not to be an essential service, but within a few hours that decision had to be rescinded as hospital trusts reported that their local taxi companies needed to be on the priority list since they had entered into contracts with them to take key staff home after late emergency shifts. To my chagrin, after the crisis was over I discovered - having glanced at the volume of the official History of the Second World War that dealt with oil supplies, held in the Cabinet Secretary's outer office - that our predecessors in 1941 had considered the same issue and made the same mistake."*[7]

I hope we can do better this time.

Scope

5.2 An adequate response to the next crisis requires that we learn the lessons from the COVID-19 pandemic, though future crises will undoubtedly present different challenges too. In line with my brief, this

7 How to Survive a Crisis: Lessons in Resilience and Avoiding Disaster, Sir David Omand, 2023

review focuses specifically on lessons pertaining to fraud and the misuse of public funds.

5.3 While every crisis is unique and not all COVID-19 lessons will be universally applicable, the pandemic's experience offers invaluable insights for enhancing government's counter fraud response in both emergency situations and routine operations.

5.4 These lessons are drawn from the specific circumstances of the COVID-19 crisis, particularly experiences in crisis procurement and the operation of economic stimulus and business support schemes. The following lessons are a distillation of my findings and the perspectives shared with us.

Lesson One: The COVID-19 experience demonstrates that fraud prevention is insufficiently embedded in thinking and practice across government

5.5 The COVID-19 pandemic demonstrated numerous examples of best practice in preventing, detecting and recovering fraud and error. Government guidance on responsibilities for managing fraud is set out clearly, for instance in HMT's guidance to Accounting Officers on *Managing Public Money*. However, during my review I encountered significant inconsistencies of application and many examples of best practice not being followed as a result of measures, for which there was little preparation, being taken at speed.

5.6 Without adequate crisis preparation, including regular rehearsal, testing, and updating of contingency plans, crises are prone to mismanagement, leading to waste and increased exposure to fraud. Much of the public sector entered the recent crisis unprepared. Without preparation, in the urgency to respond to a crisis, measures to prevent fraud are likely to be missed.

5.7 The NHS, in many respects, demonstrated preparedness. Significant proportions of the system are adept at responding to serious incidents, activating command structures, repurposing facilities, and reallocating teams in emergencies. Indeed, this responsiveness and readiness to take action in a crisis may have had perverse outcomes. The proactive efforts of local teams, who reacted to early signals and placed PPE orders to secure their own trust's position, may have contributed to initial PPE shortages elsewhere.

5.8 However, NHS preparedness was not as robust as initially believed, as evidenced by the inadequacy of its Pandemic Influenza Preparedness Programme stock. The response was a heroic action programme that involved building a supply chain from scratch and an

ambitious purchasing strategy based on demand projections that seemingly bore little relation to actual requirements. This over-purchasing created significant opportunities for fraud, abuse, practices that attracted allegations of corruption, and waste. Furthermore, this excess purchasing complicated litigation against suppliers who failed to deliver, reducing the prospect of fraud recovery.

5.9 There is little evidence that the government was prepared for a crisis that would disrupt the economy through extensive quarantine restrictions. Lockdown measures effectively halted parts of the economy for several weeks and interfered with regular activity for many months. Thorough desk-top simulations or exercises, such as the "rubber windmills" programmes used by the NHS in the 1990s to test future scenarios, would have identified the challenges encountered. Such preparations could have ensured that important steps, including the design of business support schemes, were more robust and less susceptible to fraud and abuse than the BBLS.

5.10 Schemes were often launched without a full understanding of the risk of fraud and error, with many departments choosing not to conduct an FRA before launch. In many cases this reflected an understandable response to the urgency of the pandemic. Nonetheless, a greater use of FRAs before or soon after launch could have reduced exposure to fraud and enabled better mitigations.

5.11 During the pandemic, many departments and public bodies took responsibility for new forms and levels of spending. This allowed government to draw on these bodies' skills and expertise. However, in too many cases the question of whether the public bodies had sufficient capability and capacity to handle the resulting fraud was not examined.

5.12 Some organisations took innovative approaches to managing fraud and error in COVID-19 schemes. This often drew on collaboration with other bodies, such as the work of the PSFA and DBT in using data analytics to identify potential fraud in the BBLS. Others brought in outside expertise to enhance departmental capability, as in the case of DHSC's work on contract dissolution. This proactive approach to work around capacity constraints was not found consistently across government.

5.13 I have found that the most successful organisations in managing fraud and error were those that acted swiftly and decisively, striking while the iron was hot to design and implement an effective counter fraud response, often reflecting good preparation and embedded counter fraud thinking. HMRC acted quickly to fund and establish the Taxpayer Protection Taskforce, clearly targeting its work and using a variety of methods to recover fraud and error. Had more departments and public bodies been as prepared, fraud conscious, and followed a similar strategy to HMRC, recovery values may well have been higher.

Lesson 2: Ambitious programmes are intrinsically risky and require robust challenge in related decision making

5.14 The more ambitious a programme is in terms of its size, novelty, complexity and speed, the greater the inherent risk of fraud, error and abuse. Such ambition can lead to risks being overlooked, the need for mitigation missed, and corners being cut. This necessitates a critical evaluation of whether a programme truly needs to be so extensive, intricate, or rapidly deployed. Is immediate delivery of all components essential? Can the project be simplified, and its complexity reduced, by breaking it down into discrete modules? Can the costs and risks associated with the programme's ambition be mitigated by scaling back on one or more of these dimensions? Would a phased delivery approach allow for refinement and risk reduction, applying lessons from earlier stages to subsequent ones?

5.15 The challenges encountered in PPE procurement were exacerbated by the decision to purchase twelve months forward stock (later extended by an additional four months, with further contingency), based on projections made in April 2020 that proved to be unreasonably high. It is important to note that in April 2020, amidst an unprecedented global crisis, there was indeed no certainty that PPE prices would fall; they could just as easily have continued to rise. There was also no consensus on when or if an effective vaccine would be available at scale. This made early procurement seem like a necessary and prudent step to secure essential supplies and protect the nation's health. The decision was made under immense pressure and uncertainty, prioritising availability over potential future price fluctuations.

5.16 However, this strategy resulted in the UK making most of its purchases at the market's peak, just before prices began to decline at the end of May. An alternative, more nuanced approach could have involved procuring an initial, critical stockpile for immediate needs, coupled with robust, real-time data collection from rolling demand forecasts. This would have allowed for more accurate adjustments as the crisis evolved and facilitated purchases based on more soundly forecasted demand, thereby benefiting from lower prices and reducing risks of over-purchasing at peak market rates. Such a phased and dynamically responsive strategy could have mitigated the vulnerabilities observed in the initial, less flexible approach.

5.17 Similarly, the BBLS was ambitious in the numbers of potential businesses to be supported, the level of support to be provided, and speed with which it was to be delivered. This introduced a high risk of potential fraud, error or abuse. In contrast to the schemes designed to support larger businesses, there was less reliance on lender knowledge of the borrower and less transparency of the financial standing. The number of potential borrowers was very large and essentially unknown,

giving rise to the scheme being much larger than anticipated. Late in the day, the size of the maximum loan was increased from £25,000 to £50,000, which is likely to have increased its attractiveness to opportunistic and, in many cases, fraudulent applications.

5.18 Embedding robust challenge mechanisms is crucial for sound decision-making during a crisis. This ensures that risks, including fraud, are thoroughly considered, and that human tendencies like system-gaming and self-interest are fully accounted for. Well-informed, capable, and experienced individuals of unquestionable integrity made decisions during the COVID-19 crisis that, in retrospect, appear difficult to comprehend. Accounts from my review highlight how easily individuals can be swept into an emerging consensus or defer to those with higher status or direct accountability, thereby failing to provide critical challenge to decision makers. I encountered mid-ranking personnel who questioned the volume of PPE being purchased, and former board level executives from high street banks who had expressed doubts to senior officials and ministers regarding the design on the BBLS. The phenomenon 'Groupthink,' first widely used in the context of the USA's Bay of Pigs Invasion in 1961, appears to have been a contributing factor to the fraud, abuse, and waste that resulted from COVID-19 responses in 2020.

Lesson 3: During a crisis and in the aftermath, there is a risk that decision-makers assume that everyone shares the same commitment to tackling fraud and making recoveries.

5.19 Officials and ministers concerned about fraud and financial recoveries must not assume a universal commitment to these efforts across public service. Not everyone is equally sensitive to the risk of fraud and abuse, particularly during a national crisis. While the COVID-19 crisis evoked a spirit of national unity and shared goodwill, policymakers should remain mindful of inherent human tendencies, such as self-interest. When the spirit of Dunkirk and the Blitz were evoked during COVID-19, the opportunism of the black marketeers like Dad's Army's Private Walker appeared to be forgotten.

5.20 Post crisis, the pressures of business-as-usual activities and budget constraints can divert attention and resources away from pursuing fraud and making recoveries. Given limited individual bandwidth, counter fraud activity and financial recoveries often compete with other duties and obligations. To ensure sustained attention to these critical areas, individuals and departments require support through appropriate targets and incentives. The Chancellor's commitment in the Spring Statement, allowing departments and ALBs to retain recoveries, represented a significant step towards fostering a shared commitment to tackling fraud and maximising recoveries. The

initiative has garnered a positive response from departments and local authorities, but a comprehensive review of its impact will be essential to truly measure its success.

Lesson 4: Good data and proper scrutiny are critical to good decision-making, particularly when dealing with unknown counterparties. These are best delivered through institutional transparency, data and intelligence sharing and collaboration.

5.21 Widespread access to high-quality data is fundamental for sound decision-making, as demonstrated during the COVID-19 crisis in both procurement and business stimulus programmes. At the programme level and for individual transactions, the NHS initially lacked clear visibility into the PPE stock levels. While some Trusts and regions had adequate, or even surplus stock, others faced dangerous shortages. There was no overarching system for managing stock across the entire NHS, despite its requirements arguably being no more complex than a basic retail electronic point of sale system. The projections used to model the demand for PPE, which contributed to the over-purchasing, appear to have been based on a desk-top exercise rather than actual data.

5.22 Dealing with unknown counterparties inherently increases risk, necessitating robust mitigation measures even during a crisis as profound as COVID-19. While guardrails are typically in place to reduce the risk of fraud, abuse and waste in normal time, understanding the counterparty significantly mitigates the risk associated with relaxing these controls. Under such circumstances, it is important to reduce fraud risk by making the most of whatever data is available.

5.23 For example, minimal checks, largely based around self-certification, were required for BBLS loans. The government's understandable desire to get funds to businesses facing severe cash flow issues rapidly meant it had limited insight into the risk it was undertaking, evidenced by the 50% underestimate of the demand for loans. Crucially, there was insufficient information available regarding the recipients of the loans it was guaranteeing, even whether there were reasonable grounds for their claims that they were adversely affected by COVID-19. Another significant factor contributing to BBLS fraud was the number of businesses applying for multiple loans, despite clear rules limiting them to one. Sometime after the scheme's launch, Cifas was only engaged to facilitate data sharing among Bounce Back Lenders regarding loan applicants some time after the scheme's launch. This information enabled banks to prevent businesses from

taking out multiple loans but around £29 billion in loans had been disbursed by this point and the damage had been done.

International lessons

5.24 My engagement with international partners, directly and through groups such as the International Public Sector Fraud Forum (IPSFF), has underscored to me the immense value of learning from peers abroad. In particular, the IPSFF stands out as an excellent example of collaborative work, fostering mutual learning and sharing valuable guidance notes that others can adapt to their specific needs. It would be highly beneficial for such collaborative efforts to be replicated with European partners. International responses to the pandemic showcased a diverse array of strategies. While not all of these approaches would necessarily have been appropriate for the UK, I have highlighted instances of good, innovative practice that offer valuable insights for strengthening counter fraud measures and improving crisis management. These include:

a) **Data Analytics and Transparency:** The US experience highlights the benefits of employing data analytics at scale and the publishing information about grant awards. This approach enhanced transparency and provided a robust foundation for identifying and mitigating fraud risks.

b) **Forgivable Loans for Clawback:** The use of "forgivable loans" in the US facilitated the recovery of questionable grant claims. The US Payment Protection Programme provided loans to companies to support them in keeping workers employed. Although a loan scheme, the loans were partially or fully forgiven if the business kept its employee counts and employee wages stable. However, where fraud or other impropriety was found the government was able to pursue the debt. This mechanism provides a clear pathway for recovering public funds when entitlement is not met, offering an opportunity for repayment outside of traditional enforcement.

c) **Procurement Frameworks:** European nations demonstrated the effectiveness of utilising established procurement approaches during the crisis, including existing procurement frameworks. Discussions with academics who have studied international responses suggest that the UK was alone in abandoning its existing supply chain arrangements and its “call to arms”. These frameworks can streamline purchasing, ensure due diligence, and reduce vulnerabilities to fraud and waste, even under urgent conditions. They are already widely used in the public sector for procurement but need to be designed to respond to crisis conditions.

Chapter 6

Recommendations

6.1 The following cross-cutting recommendations reflect the lessons learnt.

Lesson One: The COVID-19 experience demonstrates that fraud prevention is insufficiently embedded in thinking and practice across government.

Recommendation 1: Public Sector Fraud Reform

6.2 Throughout my tenure, organisations told me they lacked the capability, capacity and legal powers to deal with COVID-19 fraud yet have generally not sought innovative approaches or to use outside expertise. Government has made steps towards public sector fraud reform since the pandemic, through new legislation and the set-up of the PSFA. The PSFA has set out a vision for how fraud against the public sector can be tackled by focusing on prevention and improving capability. I recommend that:

a) PSFA sets out an action plan for how it will work with other government departments and other public bodies to make full use of existing and forthcoming legislative powers (including the Economic Crime and Corporate Transparency Act 2023 (ECCTA) and Public Authorities (Fraud, Error and Recovery) Act 2025 (PAFER)) to tackle fraud.

b) PSFA should continue to deliver its vision reflecting on the lessons learnt outlined in this report.

c) The PSFA and the Government Counter Fraud Function (GCFF) should promote a culture of innovation in countering fraud that is evidence-led and includes evaluation of how a range of private sector expertise can be successfully drawn upon where capability or capacity within a government body is insufficient.

Recommendation 2: Crisis Response Preparedness

6.3 Since the pandemic, the subject of better preparation has been raised by numerous reviews and such processes have been revamped. This is a welcome development, but the issue of fraud control is still not

embedded within resilience thinking, for example in the recent "Exercise Pegasus" run by the Cabinet Office. I recommend that:

a) PSFA should work with the COBR Directorate to embed fraud control in resilience planning, and crisis preparedness exercises should include fraud prevention and mitigation. This should include how effective data sharing and public communications can support counter fraud responses during emergency spending.

b) HMT and PSFA should collaborate with the Government Commercial, Grant and Debt Management Functions to design a framework of economic stimulus schemes for crisis situations that incorporates proportionate counter fraud controls. These scheme designs should then be tested in crisis preparedness exercises.

Lesson 2: Ambitious programmes are intrinsically risky and require robust challenge in related decision-making

Recommendation 3: Fraud-Sensitive Crisis Decisions

6.4 Candid accounts provided to me of some critical decisions during the COVID-19 crisis suggest a lack of challenge contributed significantly to substantial levels of waste through fraud, error and abuse. Furthermore, when high fraud risk is tolerated in a crisis (for example when a Ministerial Direction is given), consideration needs to be given to the extra counter fraud work this brings down the line. I recommend that:

a) When novel decisions are taken under the pressures of a crisis, at least one participant in the decision-taking process, of equal seniority or standing to those leading the discussion, is designated "Challenge Champion" and specifically charged with providing challenge. Fraud challenge champions should be required to record the key decision their department makes in relation to managing fraud risks as well as conducting a lesson learnt activity after the emergency for the department, which is to be shared with PSFA.

b) HMT should amend the Green Book to recognise the risk of fraud and error in appraisal. HMT should also amend the business case approval process guidance to prompt departments to set aside an indicative 'clean-up cost' for recovery and enforcement at the outset of future crisis programmes.

c) HMT should amend *Managing Public Money* to require Accounting Officers who have sought a Ministerial Direction regarding fraud risk to provide an update on how they have managed the fraud risk to their minister, the NAO and PAC every four months until the spending is brought back in line with *Managing Public Money* and recovery work is complete.

Lesson 3: During a crisis and in its aftermath, there is a risk that decision makers assume that everyone shares the same commitment to tackling fraud and making recoveries.

Recommendation 4: Incentives to drive fraud and error recovery

6.5 My review has found there are few incentives for departments outside HMRC and DWP to prioritise fraud and error prevention and recovery. I recommend that:

a) HMT should ensure incentives are in place for departments to maximise action, by amending the consolidated budget guidance to better capture the benefits of action to tackle public sector fraud, and by permitting departments to retain a proportion of recovered funds.

Recommendation 5: Professional Accountability

6.6 Whilst law enforcement and HMRC have action plans for engagement with professions and their regulators to deal with professional enablers of economic crime, there are many other areas of the public sector counter fraud response that do not, and who would benefit from such an approach. The Home Office's Joint Anti-Corruption Unit's UK Anti-Corruption Strategy considers some of the risks professional enablers have in assisting fraudsters. I recommend that:

a) GCFF and JACU should work directly with professional bodies and regulators to produce an action plan on how best they can collaborate to raise standards that ensure the public are protected against professionals assisting individuals and companies who abuse or defraud government schemes.

Recommendation 6: Public Engagement / Comms

6.7 Government was not able to inform the public about every BBLS fraud prosecution as it happened, so could not create any real deterrent effect through its communication about COVID-19 fraud. The public

perceived that fraud was rife and people were getting away with it. Preparations for future crises should include communications directed towards reducing fraudulent behaviour, reminding people that fraud and abuse of public spending programmes are not victimless crimes, and demonstrating that perpetrators will be pursued and punished. I recommend that:

a) The Government Communication Service (GCS) should work with the PSFA and other government organisations to develop a pre-prepared communications framework for future emergency spending programmes. This framework should consider behavioural science insights such as "nudge" principles to deter fraudulent behaviour and evidence-based messaging that demonstrates fraud is not victimless and that perpetrators will be pursued. GCS should also establish protocols for timely communications about enforcement activity during crises. The framework should be tested and ready for deployment before the next emergency in line with Recommendation 2.

Lesson 4: Good data and proper scrutiny are critical to good decision making, particularly when dealing with unknown counterparties. These are best delivered through institutional transparency, data and intelligence sharing and collaboration.

Recommendation 7: Data and Intelligence Sharing and Collaboration

6.8 Sharing data and intelligence to detect and prevent fraud is far harder and more time consuming than it should be in normal times, which will make it near-impossible to do at pace when the next crisis arises. Understanding the level of fraud risk and tackling fraud and error effectively is made more challenging where departments need to utilise third parties such as local government bodies or lenders to distribute loan and grant funding.

a) PSFA should undertake a project to address how government departments can share data more effectively during a crisis, which should include lessons it has learnt from the pandemic and its letter writing pilot. This should include considering whether it may be necessary to amend the Digital Economy Act and what the minimum data departments should be expected to collect when they spend taxpayer money through third parties.

Recommendation 8: Institutional Transparency

6.9 A lack of transparency inhibited proper due diligence before money was disbursed, and an opportunity was missed for transparency to be used as a deterrent to abuse and fraud. The paucity of public information on companies that enjoy the benefits of limited liability made preventing, detecting and recovering fraud at pace near-impossible. This applied to verification of turnover for BBLS loan applicants and scrutiny of the financial affairs of some PPE suppliers whose limited assets and staff numbers allowed them to file abridged accounts, concealing profits and dividend payments. Similarly, I find it concerning that government publishes details of companies who have won government contracts but does not do similarly for grants or loans despite being recommended to do so by both the PAC and the NAO. I recommend that:

a) Public Sector bodies should be transparent in the award of grants and loans to businesses and to other public bodies.

b) DBT should also continue to implement the small company reporting changes in the ECCTA 2023, including the requirement for all companies to publish profit and loss accounts at Companies House.

Recommendation 9: Governance and Monitoring

6.10 The design of the programme of work that follows my appointment should draw on lessons from the Pandemic Response Accountability Committee of the Council of the United States Inspectors General on Integrity and Efficiency. I recommend that:

a) HMT should establish a scrutiny panel chaired by a minister to undertake six monthly reviews for at least 2 years of the implementation of these recommendations, both those above that apply across government and those set out for departments in the Appendix C. The panel of scrutineers should be drawn from senior officials from across Whitehall and external members, drawing on international and non-government experience as well as the wider UK public sector.

Departmental Recommendations

6.11 The most substantial recommendations for implementation by departments are listed below.

Recommendation 10: DHSC should...

a) Continue to pursue settlement of the remaining PPE contracts in dispute through negotiation, mediation or litigation.

b) Consult the HM Treasury spending team responsible for DHSC (replacing the Covid Counter Fraud Commissioner for this purpose) before passing recommendations to ministers for claims against suppliers to be waived or abandoned.

Recommendation 11: DBT should...

a) Review the companies in the DOP, removing the objection to dissolution for those who failed for genuine commercial reasons and identify those with a reasonable suspicion of COVID-19 loan fraud or abuse for the Insolvency Service to pursue director disqualification orders. This review should seek to protect the public from former directors who have abused the privileges given to limited liability companies and use compensation orders, to recover public money.

b) Develop and implement an approach making use of powers under PAFER to address cases of suspect Bounce Back Loan fraud undertaken by sole traders and third sector organisations.

Recommendation 12: MHCLG should...

a) Establish a monitoring function within the department that provides the Accounting Officer with annual data on the levels of expenditure, fraud and error detected and recovered in the spending MHCLG does through local bodies, including for grant spending, under Section 31.

b) The department should make sure that it does not miss the once-in-a-generation opportunity presented by the continuing process creating brand new unitary authorities. It should use its convening powers working alongside the Local Government Association and other interested parties, to establish where counter-fraud capability gaps exist in local government. This must be followed by the development of a locally owned approach aimed at raising counter-fraud standards across authorities and pursuing outstanding COVID-19 fraud using powers under PAFER. Furthermore, once established, the Local Audit Office should undertake an early thematic review of local authority counter fraud capability and capacity.

Recommendation 13: Other government departments

- The principal recommendation arising from my analysis of the returns from other departments is that Department for Media, Culture and Sport (DCMS), the Department for Education (DfE), the Department for Work and Pensions (DWP), HMRC and the Department for Transport (DfT) should continue their activities in this area until completion. The detailed recommendations for departments arising from my review and findings in relation to their counter fraud and recovery activity appear within Appendix C.

Annex A

Recovery Methods

A.1 A range of methods to recover fraud and error were employed by government. This section examines examples of some of the primary methods used and considers their efficacy during the pandemic. Not all options were available to every department, due to variations in their legal powers or the design of the schemes they administered.

Criminal prosecutions / Proceeds of Crime Act confiscations

A.2 Individuals were prosecuted for fraud against COVID-19 support schemes by several organisations including HMRC, the Insolvency Service and in some cases, local police. Criminal penalties, including custodial sentences and the confiscation of assets obtained through criminal activity, were applied to fraud involving numerous schemes including Bounce Back Loans, Small Business Grants and Eat Out to Help Out.

A.3 Criminal prosecutions are necessary to address the most serious and significant cases of fraud and serve as a powerful deterrent. However, prosecutions are lengthy, resource intensive, and place further strain on an already stretched justice system. Although the Proceeds of Crime Act 2002 provides for the confiscations of criminal assets, these powers are complex to apply. Criminal prosecutions rarely provide straightforward value for money for financial recoveries and have to be justified by their wider benefits to society.

A.4 DBT's contract with the National Investigation Service (NATIS) illustrates the challenge of competing priorities in tackling fraud through criminal prosecutions. The operational model of NATIS, an organisation that evolved from Thurrock Borough Council's Counter Fraud team in 2018, appears to have been flawed and not fit for making significant financial recoveries. NATIS was originally instructed by BEIS to prioritise Serious Organised Crime. This focus was subsequently broadened to include making financial recoveries. It was reported in July 2022 that NATIS had opened 273 BBLS investigations, worth £160 million, and made 49 arrests. DBT's statement on 15 May 2025 announcing that INSS would take over NATIS' existing investigations stated that the contract had cost the taxpayer approximately £38.5 million and had resulted in only 14 convictions so far with the overall amount recovered by NATIS at £7m so far, and further cases awaiting hearing in the courts. I have been advised that, irrespective of any deficiencies in the contract or NATIS itself, this model is ill suited to

maximising cash recovery, because of the complexity and systematic nature of the fraud.

A.5 Many departments, for example the Department of Education, who do not possess their own prosecution capabilities also reported that they struggled to find law enforcement agencies willing to take on their cases. meaning they were unable to use this method for recoveries. This is consistent with the report in the 2023 Fraud Strategy: Stopping Scams and Protecting the Public that fraud receives less than 1% of police resources, and this is primarily focused on cases in the private sector.

Letter writing / Compliance campaigns

A.6 Government departments and ALBs communicate with individuals or businesses who have outstanding debts, as outlined in the Government Functional Standard on Debt. Departments have also used specific “one-to-many" campaigns where fraud and error is suspected, sometimes referred to as behavioural or nudge interventions, in which individuals are contacted and given a chance to repay rather than face further action. HMRC is the most prominent user of these campaigns and officials described to me its history of success using them.

A.7 Compliance campaigns rely on the credible threat of action if funds are not repaid. Compared with most other departments, HMRC have a wide range of powers at their disposal, including criminal investigation and civil penalties, but the risk of insolvency proceedings alone can prompt a repayment.

A.8 HMRC continued to apply and refine this approach against fraud in their COVID-19 schemes, integrating it effectively into its broader compliance and recovery framework. However, the method was not widely adopted elsewhere, with limited uptake beyond HMRC. The PSFA, along with DBT, BBB and several commercial lenders have very recently begun to trial a similar letter writing campaign within the BBLS. Despite the fact this initiative was launched several years after the pandemic, which has the potential to reduce the impact and overall effectiveness, the early indications are that this pilot has been successful with over £2million in commitments to repay made already.

A.9 Such compliance campaigns are cheaper, quicker and reduce burden on the courts compared to immediately using criminal or civil penalties. However, there are notable obstacles to wider adoption, and their potential remains largely untapped outside tax compliance. Most government departments lack HMRC’s data, expertise and experience in targeting non-compliant groups. I have found some organisations to be extremely risk-averse about proactive communications to debtors who are suspected of committing fraud, due to perceived legal and reputational concern.

Use of debt collection agencies

A.10 Overdue or outstanding debts are regularly outsourced by public bodies to specialist private-sector providers, typically third-party debt collection agencies (DCAs). This process is used as standard by HMRC for lower value debts as well as many other public bodies who typically use suppliers on framework agreements negotiated by the Crown Commercial Service.

A.11 The use of DCAs enables government to access external expertise and operational capacity to manage the significant workload generated by emergency support schemes, that would be very difficult to justify funding in-house. However, their effectiveness in responding to the volume of debt created by the pandemic was constrained by limited capacity and specialist capability within the debt collection market, as highlighted by the PAC.

Civil recovery (including penalties)

A.12 Civil recovery is a legal process used by government departments to reclaim funds owed to the public sector without pursuing criminal prosecution. It typically involves initiating proceedings in civil courts to recover overpayments, misclaimed funds, or fraudulently obtained public money, often accompanied by financial penalties to incentivise compliance. During the COVID-19 pandemic, civil recovery and associated penalties were used extensively to tackle fraud and error. HMRC's Taxpayer Protection Taskforce used civil penalties to address fraud and error across schemes it administered, recovering an estimated c£40 million through their use. HMRC also have a Publishing Details of Deliberate Tax Defaulters Programme (PDDD). Under this programme, the details of deliberate tax defaulters are published on Gov.uk for a period of 12 months. Since HMRC began COVID-19 schemes compliance, details of 195 people have been published for deliberately overclaiming CJRS and/or EOHO.

A.13 Civil courts require a lower burden of proof than criminal proceedings and civil cases are usually faster and cheaper to pursue, making them suitable for mid-tier or less egregious cases. Cost and complexity remain significant constraints, particularly for large scale deployment against widespread COVID-19 fraud. However, I have spoken to organisations who have developed artificial intelligence-based solutions that offer the opportunity to dramatically lower the cost of such action. Civil recovery can also be challenging for departments or organisations with less developed counter fraud capabilities, where case preparation, evidence gathering, and enforcement require specialised skills.

A.14 Evidence from the pandemic suggests that civil recovery is most effective when integrated into a broader suite of tools: it acts as a "stick" to encourage voluntary repayment, addresses cases that are serious enough to warrant formal action but not criminal prosecution, and

complements other mechanisms such as voluntary repayments, offsetting, and insolvency procedures. It is not usually a standalone solution for high-volume fraud due to operational and cost constraints, but it plays a critical role in ensuring accountability, recovering funds efficiently, and deterring future abuse.

Offsetting vs future payments/orders

A.15 Some departments recovered overpayments by offsetting against future payments (or orders to the value of the amount owed) to the same entity, rather than pursuing separate enforcement action, to ensure a cash payment.

A.16 During the pandemic, offsetting was applied in several contexts, including overpayments to bus operators under Department of Transport (DfT) schemes, and PPE suppliers. In these cases, the method delivered tangible benefits for the taxpayer, allowing for departments to recover funds efficiently without lengthy enforcement proceedings.

A.17 However, offsetting is applicable only in certain contexts where recipients have ongoing interactions with government and are willing to repay funds to continue these relationships – and where the conduct is not sufficiently serious to warrant a more serious sanction. In the BBLS, offsetting was used successfully to manage recoveries from lenders, typically where the government guarantee was removed on one or more loans and the amount due was deducted from the next batch of claims.

Civil Litigation

A.18 Civil courts were also used for litigation, particularly in the cases of contracts where fraud or error were suspected. In some cases, financial penalties or damages were also sought.

A.19 Civil litigation provides a high profile means of recovering on contracts that did not deliver, enabling a strong deterrent effect. However, civil cases can be complex and unpredictable while placing further pressures on the court system. The costs of pursuing civil litigation – including legal fees, court costs, and administrative overhead – were frequently substantial relative to the amounts recovered, particularly in complex fraud cases. There is also no guarantee, even when successfully securing a judgement, of getting the money back.

Insolvency Routes

A.20 Use of the insolvency route has typically involved the creditor (e.g. the public body that has been defrauded) applying to the court to place the debtor (the person that committed the fraud) into insolvency, with a view to recovering the debt from the assets of the insolvent estate.

A.21 The effectiveness of the insolvency routes is limited by structural and legislative factors. The Insolvency Service faces significant capacity constraints, which were further compounded by the Corporate Insolvency and Governance Act 2020. This temporarily halted certain liquidation processes to protect businesses during the pandemic. This led to a substantial backlog of insolvency cases and delayed recovery of funds.

A.22 HMRC, supported by its dedicated insolvency team, resumed use of this route for COVID-19 compliance debts once the moratorium on petitioning ended and court capacity improved. However, insolvency proceedings can be costly relative to the size of the fraud, and many small companies have insufficient assets to deliver meaningful recoveries. Through its dedicated insolvency team, HMRC has taken extra steps to respond to the risk of insolvency in companies found to have overclaimed COVID-19 support grants. These steps include proactively contacting the Insolvency Service to seek Director Disqualifications and utilising legislation contained within Sch16 Finance Act 2020 to make officers of insolvent companies jointly and severally liable to income tax. HMRC have issued over 50 Joint and Several Liability notices protecting over £4.5m of overclaimed COVID-19 support grants that would otherwise have been lost through insolvency. While limited liability shields directors from personal liability, the INSS did pursue compensation orders against individual directors in misconduct cases, securing £3.6 million through on COVID-19 fraud cases according to its Annual Report and Accounts 2024-25.

A.23 Despite Insolvency Service commitment to devoting a significant proportion of resources to tackling COVID-19 fraud, there are challenges in significantly scaling up this approach further under current processes. Doing so would require large scale recruitment at a level that would neither be feasible nor cost-effective. It could also divert resources from the services broader priorities in tackling corporate fraud and misconduct. As I recommend in my report, government should explore means to make the liquidation, director disqualification and compensation order process quicker and cheaper for straightforward cases through greater use of private sector firms and better use of technology. This will support the strategic use of insolvency to target the most appropriate cases as part of a wider portfolio of recovery methods.

Voluntary Repayments

A.24 Voluntary repayments are mechanisms by which individuals or organisations proactively return overpaid, or misclaimed funds to the government without the need for formal enforcement or legal action. They are designed to encourage compliance, reduce administrative burdens, and recover funds efficiently by providing a clear, structured process with incentives, such as reduced penalties or simplified procedures, for those who come forward voluntarily.

A.25 During the COVID-19 pandemic, voluntary repayment schemes played an important role in recouping funds from emergency support programmes. The most successful examples were the dedicated voluntary disclosure portals introduced by HMRC where claimants could repay grants they had received from HMRC schemes. Returns through these schemes included grants that were not needed, as well as repayments of fraud and error, but the HMRC example nevertheless represents an important case study of a straightforward, low-cost measure. HMRC's repayment schemes used an intuitive user interface and an end-to-end process, making it user friendly and effective in encouraging individuals and businesses to disclose errors or underpayments proactively. They also benefited from the strong reputation of HMRC's counter fraud capability, inspiring a credible threat of further action if they did not repay, and in many cases public pressure on large firms to repay COVID-19 funds they did not need.

A.26 Other voluntary repayment initiatives across government included Department for Transport Bus Operator Grants, where companies were allowed to repay overclaimed pandemic support without formal enforcement. DWP provided benefit recipients the opportunity to settle overpayments voluntarily, avoiding lengthy enforcement action.

A.27 Although there are significant limitations on the effectiveness and public acceptability of using voluntary repayment mechanisms to tackle more serious cases of fraud, the experience of the pandemic demonstrates that they can be proportionate, low cost and visible means of encouraging compliance. These approaches allow individuals or businesses who may have made accidental or low-level errors to "do the right thing" by repaying voluntarily, without the need for costly or lengthy enforcement action.

Annex B

Example Accounting Officer Assessment Commissioning Letter

Dear [Accounting Officer],

In December, I was appointed Covid Counter-Fraud Commissioner by the Chancellor of the Exchequer. I will be in post for one year and have been tasked with recouping public money lost in pandemic-*related* fraud and error and contracts that have not delivered.

To fulfil this brief, I am taking a deeper look into COVID-19 spending across government, and reviewing losses of public money to fraud, error and underperforming contracts. My initial area of focus, until the end of March this year, is on PPE procurement and potential recoveries that could be made. I will then turn to the review of other Covid schemes and grants, such as the Coronavirus Job Retention Scheme and Bounce Back Loans.

At the end of my fixed term, I will be presenting a report to the Chancellor, and to Parliament, which will summarise my findings and generate lessons and recommendations for government procurement in the face of future crises.

To support my assessment of counter-fraud efforts to date and to provide assurance that the maximum recovery work has been taken ahead of my final report, I would be grateful for your assistance. I am keen to understand more about what [Government Department] has already done to contribute to COVID-19 counter-fraud efforts, whether there is still work ongoing, and how your department has assessed the scope for further recoveries in future.

In the first instance, I would welcome the chance to meet you to discuss this. I would be pleased to explain in more detail the context to my work and how I hope to be of assistance. My office will be in touch with yours to see if this can be arranged.

Further, I would be grateful if you could provide as the Accounting Officer for [Government Departments]:

1. A summary of the efforts your department has undertaken to date to pursue COVID-19-related fraud, and what work is ongoing; and

2. If there are further losses to be declared in your department's future accounts, your intended approach to securing value for money in relation to those losses.

Your response should take a particular focus on [high risk schemes identified by the PSFA]. Please consider the questions listed in the Annex when considering your response.

I would be grateful if you could provide this by 21 March. I would be grateful if you could pass on this request to relevant Accounting Officers within your departmental group for a response from the perspectives of the following Arm's Length

Bodies: [named ALB's responsible for the administration of any high risk schemes identified by the PSFA].

Your reply will form an important part of my work to improve understanding of COVID-19 fraud and error, to explore the potential for further action and consider the lessons learned from the experience of the pandemic. Responses will be reviewed alongside other sources of information by my team in HMT along with partners including the Public Sector Fraud Authority (PSFA), the Government Commercial Function (GCF), the Government Debt Management Function (GDMF) and others, and will directly inform my report to Parliament. Thank you in advance for your support; I stand ready to discuss anything in this letter (or my wider brief) if that would be of assistance to you.

Yours,

TOM HAYHOE

COVID COUNTER FRAUD COMMISSIONER

VFM and Controls

1. What was your department's assessment of how the original fraud and error controls implemented on your COVID-19 spending delivered Value for Money?

2. How did your department determine the value for money impact of implementing (or not implementing) further fraud and error controls on your COVID-19 spending, after the original business case was approved?

Please consider...

• How many instances of fraud and error did your controls detect, and to what value?

• How much of this have you been able to recover, and what remains outstanding?

• What is your assessment of the level of undetected fraud and irregular payments in your COVID-19 spending (including your best estimate of the value of undetected irregular spending)?

VFM and Recovery

3. What is your level of confidence that all steps have been taken to ensure Covid-19 spending that was subject to fraud and error will be recovered (where this recovery represents Value for Money)?

Please consider...

• Have you reviewed every individual instance of detected fraud and error for recovery potential?

• Have you conducted a triage or data-based process to estimate this?

VFM of Further Action

4. Can you evaluate the value for money of taking forward further or ongoing efforts to both detect and recover fraud and error within departmental COVID-19 spending?

Please consider...

• Where are the areas of your COVID-19 spending where there is most likely to be fraud and error that has not yet been detected?

• Where are the areas of your COVID-19 spending where there are overpayments due to fraud and error that could be recovered?

• If you were required to take further action on COVID-19 fraud and error, what areas would you focus on and how would you take this action? What would your expectation of a return on investment be for taking action and how would you work this out?

Annex C

Detailed Reviews of Departmental Recovery Performance and Future Opportunities

C.1 This part of the report sets out the detailed work that underpinned my review of the strengths and weaknesses within the government's fraud recovery activity to-date, and the opportunities to go further. In reviewing COVID-19 fraud and error I took a risk-based approach, using an update prepared by the PSFA of their Global Fraud Risk Assessment (GFRA) of COVID-19 spending schemes, originally undertaken in 2020 and 2021.

C.2 In March and April 2025, I wrote to the Accounting Officers of central government departments who implemented COVID-19 specific schemes to ask for their assessment of the depth of their fraud efforts to date. I asked them to analyse opportunities for further action, and the value for money of those opportunities. An example of the letter I sent is included at the end of this appendix.

C.3 I engaged experts from the PSFA to conduct in-depth reviews of the material provided by each Accounting Officer. Alongside their responses, the PSFA reviewed its own evidence base on COVID-19 fraud, which included quarterly performance reporting on fraud and error dating back to the start of the pandemic, post-event assurance action plans and in some cases, FRAs. Where there were further questions or gaps in the evidence provided, I requested further information, and where necessary met with Accounting Officers in person to ask detailed questions.

C.4 Based on the content of these PSFA reviews I formed a judgement on the viability and value of further work for each department. The outcome of the reviews fell into three broad categories:

a) *Work Concluded* - where I am satisfied there is no further work to do that offers good value for money.

b) *Keep Going* - where there is more work to do but I am satisfied that the plans in train are sufficient.

c) *Do More* - where there is more work to, and I have determined it requires new initiatives and plans to be developed.

C.5 Each departmental summary also includes their total spend on COVID-19 schemes, the total amounts of fraud and error detected and recovered (up to 30 June 2025) and short summaries of the nature of their spending and general approach to managing fraud.

Department for Culture, Media and Sport (DCMS)

Table C.1 DCMS COVID-19 Spending

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£1.9 billion	£10.1 million	£8.7 million	*DO MORE*

Summary of Spending

C.6 DCMS funding supported sport, culture and heritage sectors during the pandemic. Most of this (£1.2 billion) was given as grants through the Cultural Recovery Fund in three rounds from 2020 to 2022, to help organisations cover costs and keep activities going. The Department also provided £474 million of loans to 120 organisations from the sport and culture sector. Funding was distributed via DCMS arms-length bodies, such as Arts Council England, Historic England, the National Lottery Cultural Fund, the National Lottery Heritage Fund and Sport England. The schemes used eligibility checks to determine who could receive support, with different grant and loan formats including direct emergency funding, resource grants for recovery and capital grants.

Summary of Counter Fraud Approach

C.7 DCMS and its ALBs carried out fraud risk reviews, put in preventative controls and did detection and recovery work where appropriate. ACE has recovered £8.5m of identified dual funding, through retaining grant funding and offsetting against future payments. There are currently litigation proceedings to recover further debt related to dual funding. Historic England prioritised Post-Event Assurance on larger grants, as well as running a whistleblower hotline. Whilst Historic England identified four instances of suspected fraud, these instances did not result in a material loss to the organisation. Sport England reported £335,000 of fraud across high-risk schemes. Nine borrowers (£46.1 million) were insolvent as outlined in the NAO's report (December 2024). The department anticipates that 38–46% of the total of outstanding insolvent loans will be recovered. Sport England identified fraud losses of circa £135k within grant funding, in addition to preventing a £200k loss. It has not identified any material fraud loss in the SSP loan book.

Summary of Review Outcome

C.8 The review recommended that DCMS and ACE continue activity to detect and recover ineligible CRF payments. This includes concluding the data-matching activity with HMRC to identify dual funding from the CRF and CJRS, and to ensure subsequent fraud investigation and recovery activity is sufficiently resourced.

Department of Health and Social Care (DHSC)

Table C.2 Table 1.A DHSC COVID-19 SPENDING

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£86.1 billion	£535.7 million	£104.9 million	*KEEP GOING*

Summary of Spending

C.9 DHSC spent £86 billion on COVID-19 health and social care measures, with the largest elements being NHS Test & Trace (£29.3 billon) and PPE procurement (£13.6 billion). Significant expenditure was also made within the Vaccine Taskforce (£4.4 billion), for the domestic vaccine deployment (£3.6 billion) and the Infection Control Fund and Social Care Workforce Recruitment (£2.2 billion). Procurement of emergency equipment and testing capability accounted for most of the spend, with NHS England and UKHSA delivering vaccination and testing activities, while responsibilities for some schemes lay with local authorities.

Summary of Counter Fraud Approach

C.10 Activity predominantly focused upon mitigating fraud and error within PPE, with efforts to introduce enhanced due diligence in the procurement process. Such activity has helped the department prevent £163m of estimated PPE fraud loss. Where loss has been identified due to fraud, the department has pursued recovery through civil litigation or escalated to enforcement agencies in more serious cases. Detection work in other areas such as NHS Test & Trace and vaccination deployment was more limited in comparison. UKHSA has identified a high volume of low value fraudulent payments made to isolating individuals as part of the Managed Quarantine Service, totalling around £18m. UKHSA has recovered around £2.6m of this loss, and continues to seek recovery where possible. DHSC has recovered £104.9m in fraud error, which excludes contract settlement relating to PPE that are commercially sensitive and do not wholly relate to fraud and error.

Summary of Review Outcome

C.11 DHSC should continue to seek recovery of fraudulent or underperforming PPE contracts, either through the Contract Dissolution process or through civil or criminal courts. UKHSA should continue to seek recovery of Managed Quarantine Service payments where possible, given the challenge in enforcing recovery of low value fraudulent payments.

Department of Education (DfE)

Table C.3 DfE COVID-19 Spending

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£7.2 billion	£9.7 million	£5.1 million	*KEEP GOING*

Summary of Spending

C.12 DfE spent £7.2 billion on measures to support educational delivery during the pandemic and recovery funding for educational providers. The Education Skills Funding Agency (ESFA), which merged with DfE at the beginning of FY 2025/26, administered much of this expenditure on behalf of the department. Emergency measures included providing laptops to vulnerable students, introducing a national voucher scheme in place of free school meals, and creating the Oak National Academy for online classroom resources. Later support focused on pandemic recovery, including tutoring programmes, workforce funds for schools, and a hardship fund for university students, as well as incentives for employers to take on apprenticeships and trainees.

Summary of counter fraud approach

C.13 DfE conducted a programme of post-event assurance in FY 2021/22, where fraud risk assessments were conducted across priority areas of expenditure. Through testing the efficacy of controls, the department monitored irregularity for exceptional costs for schools; free school meal vouchers; the National Tutoring programme; and provision of technology to schools to support remote learning. Circa £200k of erroneous payments were identified and recovered through this process. ESFA have conducted a continuous programme of assurance of payments made to employers to create traineeships and apprenticeships, identifying fraud and error totalling £4.7m. ESFA has pursued recovery of these funds and has recovered around £1m in total to date.

Summary of review outcome

C.14 The department should continue pursuing recovery of fraud and error linked to employer incentives. Where the pursuit of civil recovery has been unsuccessful, the department should consider utilising

external enforcement resourcing given the extension of the statute of limitations extension granted by PAFER.

Department of Work and Pensions (DWP)

Table C.4 DWP COVID-19 Spending

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£2.94 billion	£0.1m	£0.0m	*KEEP GOING*

Summary of spending

C.15 DWP's Restart and Kickstart schemes had a total spend of £2.94 billion. Restart provided intensive support to help unemployed people get back into work, while Kickstart funded six-month paid placements for young people on Universal Credit to help them move into employment. The Restart scheme was delivered through a series of contracts with commercial providers, whereas Kickstart could be applied for directly by employers or through a gateway provider that assisted a company with its application.

Summary of counter fraud approach

C.16 Restart governance relied on a portfolio of prime contracts (12) and a large extended supply chain (around 77 providers) plus open-book accounting and payment-by-results verification linked to real-time HMRC data. For Kickstart, around 10% of initial payments were checked using bank accounting verification and credit checks. The department claims substantial measures to prevent overpayments (e.g. around £128 million prevented), however this has not been submitted to the cross-government prevention panel for assurance on the methodology. DWP has taken forward cases with credible fraud suspicions into the wider investigation pool.

Summary of review outcome

C.17 DWP should continue the existing work, conclude live investigations and prioritising resources to any potential further fraud cases as per the department's targeting policy.

HM Revenue & Customs (HMRC)

Table C.5 HMRC COVID-19 Spending

COVID-19 SCHEME SPEND	ESTIMATED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£98.1 billion	£5.0 billion	£1.3 billion	*KEEP GOING*

Summary of spending

C.18 HMRC's COVID-19 spend comprised three major schemes: the Coronavirus Job Retention Scheme (CJRS) with £69 billion in support to employers to keep furloughed staff on the payroll; the Self-Employment Income Support Scheme (SEISS) with £28 billion to provide grants to self-employed individuals; and Eat Out to Help Out (EOHO) with £0.8 billion to subsidise dining out in participating venues. Together these programmes totalled about £98.1 billion of government support, making them among the largest COVID-19 related interventions.

Summary of counter fraud approach

C.19 HMRC designed several preventative controls across the three schemes it managed focusing on utilising extensive automated digital checks and prepayment screening that blocked over 65,000 claims, preventing £430 million of fraud and error. HMRC's approach to post payment compliance, drew on its extensive work tackling tax non-compliance, risk scoring applications for potential fraud and error to enable it to target its compliance activity which yielded a total of £1.3 billion. HMRC also gathered intelligence through a Fraud Reporting Gateway it set up and via PSFA. Realising the level of fraud and error that it may need to manage through the £98.1 billion spending, HMRC secured £100 million from HMT to build and run the Taxpayer Protection Taskforce, which generated a return on investment of £693 million of the £1.3 billion. In addition to the £1.3 billion recovered via post-payment compliance activity, HMRC's voluntary disclosure portals have results in unprompted disclosures and voluntary repayments of over £1 billion for CJRS; £51 million for SEISS; and £2 million for EOHO, to date. HMRC has prevented or successfully recovered over £1.7 billion across the three schemes. HMRC transitioned the Taxpayer Protection Taskforce back into BAU compliance activity in September 2023, arguing that TPT offered a lower yield per full time equivalent (£0.27 million verses £1.1 million). HMRC told me that it recognises the continued importance of addressing error and fraud across COVID-19 support schemes and remains committed to doing so where appropriate.

Summary of review outcome

C.20 The review found that HMRC should continue the existing work and conclude live investigations as per its targeting policy.

Department for the Environment, Food and Rural Affairs (DEFRA)

Table C.6 DEFRA COVID-19 Spending

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£0.4 billion	£4.6 million	£0.2 million	*WORK CONCLUDED*

Summary of spending

C.21 DEFRA administered a range of schemes, including food-related support, zoo funding and environmental/other relief programmes. The largest documented element was the Green Recovery Challenge Fund, followed by Local Authority food grants. Other schemes covered the Zoo Support Fund, Zoo Animals Fund, Fisheries/Seafood Funds, Food support for vulnerable groups, Food waste distribution and Dairy/Food-related initiatives. Overall, the documented spend across the listed DEFRA schemes amounted to almost £400 million.

Summary of counter fraud approach

C.22 DEFRA completed FRAs for its high-risk schemes and post-event assurance and detection activity was used to test controls after payments. GIAA audits informed control improvement for the zoo schemes, and PSFA's post-event assurance action plans tracked fraud and error management across schemes. The zoo schemes showed notable error findings and recoveries, using lessons learnt from phase 1 to inform improvements in phase 2. Food Parcels Shielding showed detected error through testing, with some overpayments identified.

Summary of review outcome

C.23 The review concluded that there are no further opportunities for detection and recovery action that would offer good value for money, therefore its work is concluded.

Department for Science Innovation and Technology (DSIT)

Table C.7 DSIT COVID-19 Grant Spending

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£1.2 billion	£1.6 million	£ 1.5 million	*WORK CONCLUDED*

Summary of spending

C.24 DSIT's (formerly BEIS) COVID-19 expenditure was mostly administered via UK Research & Innovation. UKRI made grant awards of £883.6 million for research and innovation and the repurposing of £300 million of existing research awards. Other notable DSIT expenditure relating to the COVID-19 response included £268.1 million for COVID-19 vaccine innovation and manufacturing, £21.4 million in five SURE fund loans, £0.3 million in SURE grants, and £2.6 million for space-enabled technologies/services via the UK Space Agency.

Summary of counter fraud approach

C.25 UKRI conducted a data-matching pilot with HMRC to identify dual funding, published a list of grant awardees (offering greater transparency) and generally followed BAU practices (accelerated rather than simplified), which minimised disruptions to existing controls. DSIT had pre-award controls in place for SURE fund loans, and UKRI's resource deployment and staff perceptions indicated a level of counter-fraud maturity and operational robustness, even if processes were strained by workload pressures. Overall, DSIT's own detection activity was limited beyond the cases that resulted in £1.6 million detected, and there is little further recoverable activity or a clear value for money case for additional detection work.

Summary of review outcome

C.26 The review concluded that there are no further opportunities for detection and recovery action that would offer good value for money, therefore its work is concluded.

Department for Business and Trade (DBT) - GRANTS

Table C.8 DBT COVID-19 Grant Spending

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£22.6 billion	£71.2 million	£46.1 million	*KEEP GOING*

Summary of spending

C.27 Total expenditure on the small business grants portfolio between March 2020 and December 2021 was £22.6 billion, allocated across three cohorts. The first cohort - including the Small Business Grant Fund, the Retail, Hospitality and Leisure Fund (RHLGF) and the Local Authority Discretionary Grant Fund - paid out £11.7bn in response to the first lockdown in 2020. The latter cohorts were launched in response to outbreaks in winter 2020 and 2021 and represented £7.4bn and £3.5bn of grant payments respectively. In total, over 4.5 million grant payments were made to around 700,000 businesses.

Summary of counter fraud approach

C.28 DBT set up a referral process for local authorities to report irregular payments they identified. £71.2 million from 10,065 irregular payments has been identified by local authorities, of which 724 (7%) were categorised as fraud. The department planned to wind down the referral process by end-2025 and to complete triage by mid-2026, with aims to close all activity by March 2027. Of the £71.2 million identified as irregular payments by local authorities, £46.1 million has been repaid to DBT and £1.9 million is still to be repaid to DBT. £21.3 of the total million has been referred as a debt, of which about £2 million is considered not recoverable. This yields a recovery rate of about 65% of debt referred. Recovery may become hampered by the aged nature of many debts and the lower value of individual grants (average around £5,000). DBT has used external litigation selectively by balancing the cost against the possibility of recovery on a case-by-case basis.

Summary of review outcome

C.29 The review found that DBT should conclude its ongoing referral and grant recovery programme by March 2027 as planned.

Department for Business and Trade (DBT) - LOANS

Table C.9 DBT COVID-19 Loan Spending

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£82.3 billion	£1.7 billion	£79.7 million[8]	*DO MORE*

Summary of spending

C.30 DBT's COVID-19 loans issued totalled £82.3 billion across five schemes to support businesses through the difficult trading conditions brought about by the pandemic: Bounce Back Loans (BBLS) £46.5 billion, Coronavirus Business Interruption Loan Scheme (CBILS) £25.8 billion, Coronavirus Large Business Interruption Loan Scheme (CLBILS) £4.5 billion, Recovery Loan Scheme (phases 1 and 2) £4.3 billion and Future Fund £1.1 billion. The schemes were administered by the British Business Bank through a network of commercial lenders. All the loan schemes except Future Fund used commercial lenders to manage loan applications and distribute funding with government providing guarantees to the lenders for all or some of the loan amount.

Summary of counter fraud approach

C.31 DBT/BBB delegated counter fraud controls at the application stage to the lenders including anti-money laundering, know-your-customer checks and other standard fraud controls that varied between lenders. These controls gradually improved over time (e.g. with the introduction of Cifas checks for multiple loans), but in the BBLS the lender fraud controls that work for routine commercial lending did not address some of the key fraud risks specific to the scheme. A core element of DBT's counter fraud approach has been to block companies attempting to dissolve that have outstanding COVID-19 loans. This has been successful in keeping future enforcement action open, and in encouraging repayment of loans that would have otherwise defaulted. There has also been significant activity to identify borrowers where there is an indication of fraud using data analytics and

8 This represents the amount recovered which had previously been paid out in guarantee claims for facilities flagged by lenders as suspected fraud. Recoveries are from defaulted borrowers or from lenders where claims have been paid on guarantees that were subsequently identified as being ineligible for cover. This includes facilities which were flagged by lenders as suspected fraud at the time the guarantee claim was paid, or flagged in the quarter following the payment of the guarantee claim, and which have continuously been marked as suspected fraud since payment of the guarantee claim.

loans that the 100% government guarantee could be removed or repaid due to preventable fraud or error by the lender. Between 2021 and the end of September 2025, the Insolvency Service has disqualified 2,516 directors who abused COVID-19 schemes and there have been successful recovery pilots with some lenders.

Summary of review outcome

C.32 DBT should set out a comprehensive resolution plan for BBLS that covers ongoing live investigations, intelligence reports and any data analytics flags that may indicate potential fraud and have not yet been distributed to lenders. It should also define a desired end state for the programme that sets out the right mix of criminal and civil actions (such as director disqualification and future letter campaigns using threat of penalties under the PAFER, together with how write-offs will be managed operationally.

Department for Transport (DfT)

Table C.10 DfT COVID-19 Spending

COVID-19 SCHEME SPEND	DETECTED FRAUD AND ERROR	RECOVERED FRAUD AND ERROR	REVIEW OUTCOME
£20.4 billion	£16.5 million	£14.3 million	*KEEP GOING*

Summary of spending

C.33 DfT spent £20.4 billion on emergency transport support between April 2020 and March 2022. DfT provided £13.6bn of support to train operating companies (TOCs) to ensure rail services could run, implementing Rail Emergency Measures Agreements (EMAs) from 1st March 2020 and then Rail Emergency Recovery Measures Agreements (ERMAs) from September 2020. Equivalent support was provided to bus providers via the COVID-19 Bus Services Support Grant (CBSSG), totalling £1.7bn in expenditure. The department also provided support to aviation, light rail and ferry routes, and the Emergency Active Travel Fund. Transport for London (TFL) was given £4.2bn of emergency support to maintain essential services during the pandemic, albeit this was regarded as delegated expenditure and not a focus of the Commissioner's review.

Summary of counter fraud approach

C.34 DfT implemented financial oversight and continuous monitoring for EMAs and ERMAs, assigning via an assigned finance manager for each TOC. The department also introduced a disallowable costs register to act as a deterrent against opportunistic cost claims. The department have stated no material fraud or error loss was identified through these controls. The scheme's accessibility was restricted to existing Bus Services Operators Grant (BSOG) recipients to ensure only vetted operators could access the funding. Upfront due diligence included using BSOG data and third-party sources (like Spotlight and Companies House) to validate applications, with reconciliation exercises against audited profit and loss accounts used to pursue any identified excess payments through existing BSOG debt recovery routes. The CBSSG accounts for most of the identified fraud and error, with DfT recovering £10.4m. The remaining active CBSSG debt cases are being pursued through standard recovery channels, though further recovery may be affected by insolvency processes.

Summary of review outcome

C.35 The department should continue recovery attempts from six CBSGG debts totalling £2.2 million, including cases where operators have entered insolvency, with recoveries assessed on a case-by-case basis based on value for money of civil recovery. Given that PAFER will extend the statute of limitations from six to twelve years for fraud against the public sector, enforcement options should be considered before writing off any debt.

Other Government Departments

Table C.11 Other Government Departments COVID-19 Spending

DEPARTMENT	COVID-19 EXPENDITURE	REVIEW OUTCOME
Cabinet Office	£1.0bn	*WORK COMPLETE*
Department for Energy Security & Net Zero	NIL	*N/A*
Foreign, Commonwealth & Development Office	£2.5bn	*WORK COMPLETE*
Home Office	£3.2bn	*WORK COMPLETE*
Ministry of Housing, Communities and Local Government	£10.3bn	*UNVERIFIABLE*
Ministry of Justice	£0.5bn	*WORK COMPLETE*
Ministry of Defence	£0.1bn	*WORK COMPLETE*

Summary of spending

C.36 This summary of other government departments covers pandemic spending in the departments above. These government departments had lower levels of spending or assessed risk relative to other areas of government and did not report detecting fraud in their COVID-19 related spending. As such I have taken a risk-based approach to their review in line with my overall approach.

C.37 Cabinet Office spending focused principally on HM government's public information campaign and attempt to encourage the production scale up of mechanical ventilators known as the 'Ventilator Challenge'. The Department for Energy and Net Zero was formed after the pandemic and did not inherit any of the Department for Business, Energy and Industrial Strategy spending areas from the pandemic when it was created (these went to DBT and DSIT). FCDO spending

focused on the government's international response, particularly adapting existing development support towards supporting other countries responses to COVID-19 and through COVAX in distribution of vaccines to developing countries (£0.5 billion). Home Office spent on a range of measures to support the policing and asylum systems with provision of additional asylum accommodation being the largest area of additional spending (£1.4bn). MoJ spent around £0.5 billion focused on aiding recovery of the criminal justice system from COVID-19. MOD spent an additional £93 million according to the NAO cost tracker, principally in providing military aid and data analytics support to local authorities.

Summary of counter fraud approach

C.38 Departments gave differing levels of detail in their responses, partly due to the complexity of the spending. Some, such as FCDO, cited the use of FRAs and assurance processes that involved compliance with existing guidance of, or review by, central functions such as the Government Commercial Function. Some departments also referred to undertaking some level of post event assurance. For example, MOJ tested 45 contracts over £1 million that were part of its COVID-19 spending and did not identify any fraud and error in these contracts. No further COVID-19 fraud work that would offer value for money to recover has been identified in these departments. MHCLG told me it is not accountable for the additional expenditure it made during Covid, which contrasts from the response I have received from other government departments, such as DBT in its spending through local authorities.

Annex D

Preliminary Report to the Chancellor of the Exchequer on Recovery of Losses due to Fraud in the Procurement of Personal Protective Equipment during the Covid 19 Pandemic

Preliminary Report to the Chancellor of the Exchequer on Recovery of Losses due to Fraud in the Procurement of Personal Protective Equipment during the Covid 19 Pandemic

3 April 2025

The appendices of this report have been removed on commercial grounds and due to the sensitivity of ongoing cases. These removals are necessary to protect confidential business information and to avoid prejudicing current legal processes.

Contents

1. Executive Summary
2. Background to the CCFC review of PPE contracts
3. Analysis of the performance of Covid 19 PPE contracts
    a. Supplier and contract performance
    b. Analysis of disputed contracts
    c. Differences in supplier and contract performance by product category
    d. Evidence surrounding performance of suppliers in “VIP” lane and with due diligence flags
4. Factors contributing to the level of alleged fraud and profiteering in Covid 19 PPE supply and the difficulties in recovery of losses
5. Next steps

Executive Summary

1. I have prepared this report in response to concerns about the levels of alleged fraud and profiteering in the procurement of Protective Personal Equipment (PPE) during the Covid 19 pandemic.

2. At the start of December 2024, 55 contracts worth £1,258 million placed through the Parallel Supply Chain (PSC) established by the Department of Health and Social Care (DHSC) were still unresolved or awaiting a ministerial decision for claims to be written off or abandoned. They were part of a total of 64 contracts originally worth £1,479 million before partial settlements in relation to seven contracts[i]. Disputes had generally arisen because of problems with documentation, non-compliance with specification, or quality that had not been resolved by replacement of defective product, provision of required documentation or refund of payments. The contracts were part of the £7.9 billion of PPE procured through the PSC, which itself was part of the £13.6 billion total outlay on PPE (through this route, through contracts with existing suppliers of Supply Chain Co-ordination Limited (SCCL), and through newly commissioned UK manufacturing supply through "UK Make"). DHSC estimated in its 2023-2024 losses through PPE fraud of £324 million, 2.4% of the PPE spend.

3. Having reviewed the unresolved contracts with the DHSC Contracts Dissolution Team, including discussing the more complex cases with lawyers retained to advise and represent DHSC, I have endorsed the proposals of officials to ministers for claims against suppliers relating to 49 contracts worth £762[ii] million to be waived or abandoned. These include some contracts where proposals for them to be waived or abandoned had been approved previously by ministers prior to the general election last year. The recommendations reflect the low prospect for success in litigation to recover money from the suppliers in relation to the cost of taking further action[iii].

4. Overall, I can provide assurance to the Chancellor about the efforts that have been and continue to be made by the DHSC Contracts Dissolution Team and Anti-Fraud Unit to recover public money lost through problems with the procurement of PPE during the pandemic and suspected fraud.

5. 13 contracts worth £468 million remain live[iv], with litigation to recover sums in dispute either under way or in prospect. A handful of the suppliers involved have been referred to the National Crime Agency for investigation for possible fraud. In addition to the live contracts, there may be potential for some financial recovery from the liquidators of 7 suppliers accountable for disputed contracts worth £95 million. Fraud may be involved in some of these cases, but taking them further appears to be frustrated by key individuals

being outside the UK.

6. The disputed contracts are concentrated in the supply of gowns, which represent 84% of the value in dispute, with 52% by value of gown supplies being non-compliant either in documentation, specification, or quality. The DHSC's case against suppliers has been compromised by problems with its own contract documentation, changing specifications, delays of as much as two years in inspecting goods supplied (providing grounds for challenges about storage conditions in the meantime), and product passing use-by dates before any defects were identified.

7. Questions have been raised about the quality of deliveries from suppliers introduced to DHSC via the "high priority lane" (HPL) or "VIP" channel. However, this is not reflected in examination of the problem contracts. HPL contracts account for 27% of the value of problem contracts, whereas they represent 32% of the resolved contracts. (The difference between this analysis and previously raised concerns about HPL contracts might be explained if HPL suppliers whose deliveries were defective were more willing than others to settle with DHSC.)

8. The review of the performance of the PPE contracts and the work undertaken on recoveries does not account for the barriers to achieving satisfactory settlements to disputed contracts. It also does not address the concerns of the public about alleged price-gouging and profiteering. Both appear to have their roots in the extraordinary degree of over-ordering of PPE undertaken during the early months of the pandemic.

9. DHSC Annual Reports and its evidence to the Covid 19 Inquiry describe the purchase of over 38 billion items of PPE between February and July 2020 of which 11 billion had not been used by March 2024, and losses of £10.0 billion (against an outlay of £13.6 billion). The lack of preparedness for the pandemic in terms of emergency stockholding is well-documented and there were widespread complaints from clinicians about PPE shortages in the early weeks of the pandemic, and lack of supply to community services. The evidence of a consequent overreaction is compelling, with the DHSC working at the end of April 2020 on forecast demand 2.15 billion pieces per month, which was more than twice the level demand in any single month during the pandemic and buying 12 months ahead.

10. The over-ordering resulted in DHSC paying spot prices at the top of the market, but for long term supply. The scale of the DHSC intervention in the PPE market over such a short period may well on its own have increased prices. Factories responded by selling their capacity to highest bidder, and exploited the opportunity to make profits while they could. A more evenly paced approach to

ordering would have resulted in DHSC taking advantage of prices falling after their early peak and making a more realistic assessment of demand before committing to long term supply arrangements.

11. The over-ordering also resulted in such a flood of PPE supply that the DHSC's warehouse and inbound goods handling capacity was rapidly exceeded with the result that PPE remained in shipping containers and goods were not inspected for as long as two years before being inspected, with the consequent problems for contract dispute resolution.

Background to the CCFC review of PPE contracts

12. Very early in the Covid 19 pandemic, the DHSC established that the there was insufficient stock of PPE available, either in the regular NHS supply chain managed by Supply Chain Co-ordination Limited (SCCL) or in the Pandemic Influenza Preparedness Programme (PIPP) stock managed by Public Health England. It established new emergency supply arrangements within DHSC known as the Parallel Supply Chain to manage procurement and logistics. Initially this ran alongside SCCL but soon took over the management of all PPE from SCCL, which continued to manage the procurement of other supplies for the NHS. The staffing of the PSC numbered over 500 at its peak, include around 100 staff provided by the MoD.

13. The total outlay on PPE amounted to £13.6 billion, with the bulk of the purchasing taking place between February and July 2020. £7.9 billion of the purchases were from suppliers not previously known to the DHSC or SCCL. The balance was from existing suppliers of SCCL and domestically manufactured supply through "UK Make".

14. Given the emergency circumstance, the Cabinet Office issued information and guidance that public bodies could procure with extreme urgency using regulation 32(2)(c) under The Public Contracts Regulations 2015. In response to a "call to arms" by the Secretary of State, the PSC was flooded with offers to supply PPE. It appears that most of these offers were from organisations that were not able to provide goods to the specifications required or in the volumes required. Nonetheless, they required at least an initial review even if they did not progress to the multi-stage due diligence examination undertaken by the team in DHSC. Controversially, a fast-track process was established to undertake at least the initial screening of offers from suppliers introduced by politicians and senior officials. This was initially known as the VIP Lane before being formally described as the HPL. This attracted considerable criticism and charges of cronyism and favouritism. Non-governmental organisations including Transparency International, Spotlight on Corruption and the Good Law Project provided reports into the performance of supplies provided through the HPL and, using information supplied in response to FOI requests, suggested that HPL introductions were overrepresented among the suppliers chosen to supply PPE and, in addition, underperformed in terms of delivery of quality PPE compared to other suppliers.

15. PPE procured that did not pass an initial quality assurance process was immediately categorised as Do Not Supply and quarantined for detailed review and rectification, if possible, before being made available for distribution to front-line NHS staff. This applied to 176 of the 394 contracts procured through the PSC, representing a contract value of £3.9 billion. This also applied to £548 million in deliveries from 35 of the existing SCCL suppliers. On further review,

the issues with the SCCL supplier stock were resolved as were all PSC contracts except those described in the next paragraph. Resolution took various forms, including receipt of new documentation demonstrating that product was indeed fit for use, replacement product being provided, cash returned, or recognition that product, although fit for use when delivered, was out of date by the time that it would have been distributed to the front-line.

16. At the start of December 2024, 55 contracts worth £1,258 million placed through the PSC established by DHSC were still unresolved or awaiting a ministerial decision for claims to be written off or abandoned. They were part of a total of 64 contracts originally worth £1,479 million before partial settlements in relation to 7 contracts (described in Appendix 1 - Appendix Removed). Disputes had generally arisen because of problems with documentation, non-compliance with specification, or quality that had not been resolved by replacement of defective product, provision of required documentation or refund of payments. The contracts were part of the £7.9 billion of PPE procured through the PSC, which itself was part of the £13.6 billion total outlay on PPE (through the PSC, through contracts with existing suppliers of Supply Chain Co-ordination Limited, and through newly commissioned UK manufacturing supply through "UK Make").

17. In addition to the problem contracts, DHSC estimated in its 2023-2024 Annual Report losses through PPE fraud of £324 million, 2.4% of the PPE spend.

Analysis of the performance of Covid 19 PPE contracts

18. Overall, I can provide assurance to the Chancellor about the efforts that have been and continue to be made by the DHSC Contracts Dissolution Team and Anti-Fraud Unit to recover public money lost through problems with the procurement of PPE during the pandemic and suspected fraud. They have been tenacious and resourceful in seeking satisfactory resolution and appear to "have left no stone unturned."

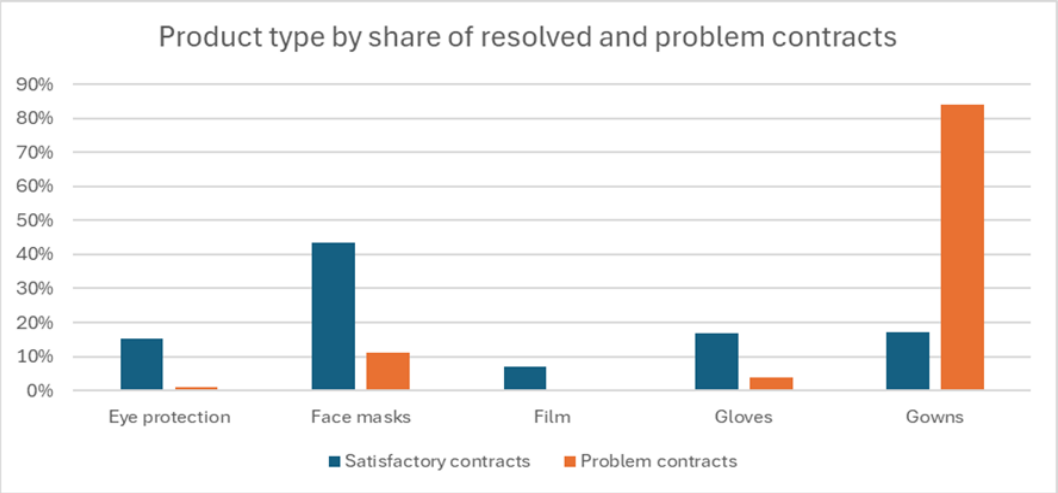
19. Having reviewed the unresolved contracts with the DHSC Contracts Dissolution Team, including discussing the more complex cases with lawyers retained to advise and represent DHSC, I have endorsed the proposals of officials to ministers for claims against suppliers worth £762 million[v] to be waived or abandoned. The recommendations reflects the low prospect for success in litigation to recover money from the suppliers in relation to the cost of taking further action.

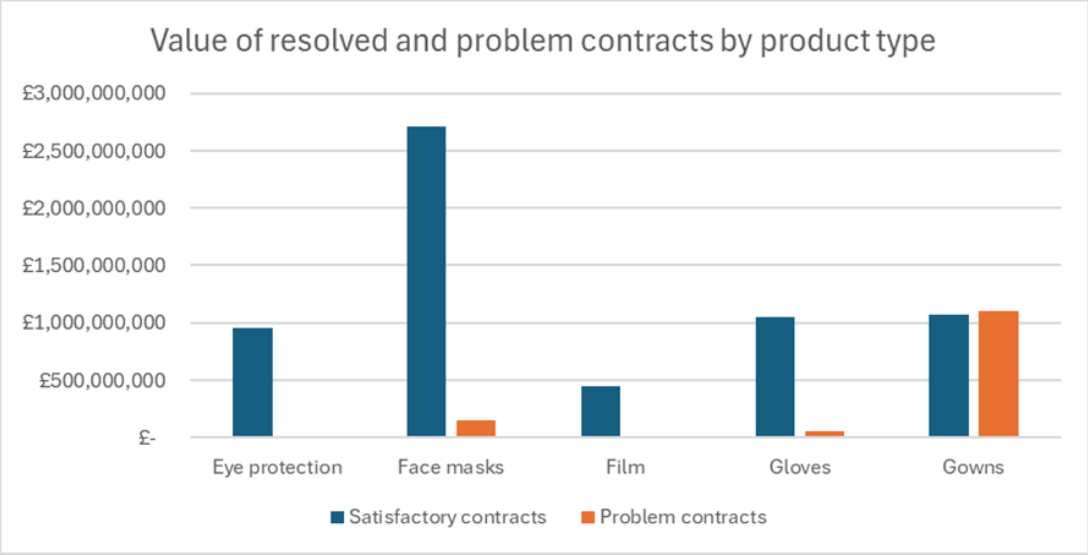
20. The reasons for the low prospect of success in litigation and high cost of further action include:
    a. Difficulties litigating with Chinese counterparties
    b. Untraceable counterparties
    c. Contractual shortcomings, including contracts that do not specify the jurisdiction for litigation, let alone specifying the Courts of England and Wales
    d. Corrupted or missing schedules in the original contracts
    e. Contested claims about the storage condition of goods between delivery to UK and them being checked (for example, some deliveries remained in shipping containers for over two years)
    f. Disputes between laboratories used by DHSC and suppliers over the testing of goods for sterility when finally checked
    g. Goods being unlikely to be used before expiration of use-by dates because of over-procurement (see paragraph 24) undermining the case for payment of damages.

21. A representative selection of the unresolved contracts is provided in Appendix 2 (Appendix removed). to illustrate the reasons for the recommendations made to ministers for claims to waived or abandoned.

22. 12 contracts worth £468 million remain live, with litigation to recover sums in dispute either under way or in prospect[vi]. A handful of the suppliers involved have been referred to the National Crime Agency for investigation for possible fraud. A director of a company in one of the live cases is currently facing investigation for tax fraud.

23. In addition to the live contracts, there may be potential for some financial recovery from the liquidators of seven suppliers accountable for disputed contracts worth £95 million. Fraud may be involved in some of these cases, but taking them further appears to be frustrated by key individuals being outside the UK. The disputed contracts are concentrated in the supply of gowns, which represent 84% of the value in dispute, with 52% by value of gown supplies being non-compliant either in documentation, specification, or quality. The concentration in one product category raises the possibility that there were underlying systemic shortcomings in the contracting for gowns, but I have not explored this issue in any detail.





24. External organisations have raised questions about the quality of deliveries from suppliers introduced to DHSC via the HPL. Transparency International also raised concerns about the contracts awarded with due diligence "red flags" such as recent incorporation, offshore ownership and late publication of notice of contract award.

However, HPL contracts account for 27% of the value of problem contracts, whereas they represent 32% of the resolved contracts. Companies with at least three Transparency International red flags are slightly more likely to be represented among the resolved contracts than the problem contracts. I have not yet had the opportunity to test this somewhat unexpected outcome with Transparency International or the other external organisations. I also have not explored whether this outcome reflects another variable such as product mix which may be important given the findings set out paragraph 22. Nonetheless, I do not believe these findings argue against the importance of due diligence in procurement or undermine the argument that the HPL appears naïve and failed the "sniff test".

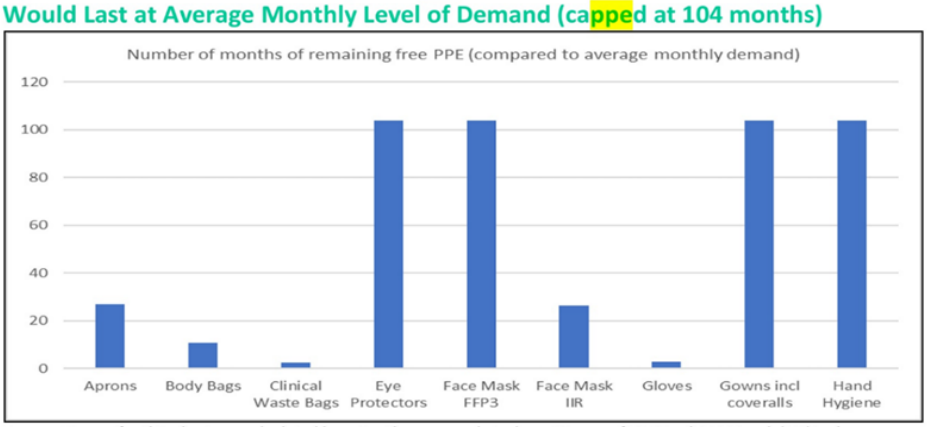
Factors contributing to the level of alleged fraud and profiteering in Covid 19 PPE supply and the difficulties in recovery of losses

25. The review of the performance of the PPE contracts and the work on recoveries does not account for the barriers to achieving satisfactory settlements to disputed contracts. It also does not address public concerns about alleged price-gouging and profiteering. Both have their roots in the extraordinary degree of over-ordering of PPE during the early months of the pandemic.

26. DHSC annual reports and its evidence to the Covid 19 Inquiry describe the purchase of over 38 billion items of PPE between February and July 2020 of which 11 billion had not been used by March 2024, contributing to losses of £10.0 billion (compared to £13.6 billion outlaid).[vii] The lack of preparedness in terms of emergency stockholding is well-documented and there were widespread complaints from clinicians about PPE shortages in the early weeks of the pandemic, and lack of supply to community services. These were serious, and required urgent action to ensure PPE was available. However, the evidence of a consequent overreaction is compelling. There were clear flaws in the modelling of demand and costly errors in response, with an additional 20% uplift applied (twice according to some sources) to the "Reasonable Worst Case Scenario" assumptions and a suggestion that Downing Street instructed the addition of a further four months stock on top. At the end of April 2020 (see exhibit at paragraph 30), DHSC appears to have been buying at least twelve months ahead against forecast demand of 2.15 billion pieces per month (more than twice the level demanded in any single month during the pandemic) plus the 20% contingencies and building a four month additional stock cushion.

27. By March 2023, once the pandemic was past, the DHSC Annual Reported disclosed as that the forward stock of eye protection, FFP3 face masks and gowns was around 9 years.

Figure 6: Volumes of Remaining Free PPE Stock, Showing How Many Months the Stock Would Last at Average Monthly Level of Demand (capped at 104 months)



Source: Figures for this chart are calculated by using the year-end stock position as of 31 March 2023 and dividing by average monthly figures for usage. The monthly demand numbers are taken from forward projections of usage, which track recent trends and estimate future levels of demand whilst free PPE continues. Chart is capped at 104 months for usability, further details of the PPE scheme are available here. This also states that "the value of the free PPE scheme for the period 1 April 2021 to 31 March 2023 is around £471,385,725.53. NHS trusts are not included within budgeted costs as they are not subject to subsidy control rules. The value of the scheme for the period 1 April 2021 to 31 March 2024 will be published in 2023 to 2024." The chart includes only those items marked as 'release', so excludes items that are not suitable for use. It includes items stored in UK warehouses or containers only. There is no adjustment for expiry dates, i.e., it includes all 'release' stock regardless of expiry date. The chart is capped at 104 months because the bars for some categories are very large and the chart would not be useable if the full height of the eye protector bar was shown, for example.

28. The over-ordering resulted in DHSC paying spot prices at the top of the market, but for long term supply. The slide below, from a DHSC procurement leadership team meeting on 30th April 2020 shows the prices assumed going forward (under the black boxes on the right) compared with the historic SCCL prices (under the amber box near the middle).

5. Finance performance vs. budget

Extract of finance data from 28th April

		Fin Ops Tracker				SCCL Data					TO NOTE: DEMAND DATA IS NOT CURRENTLY AVAILABLE FOR ALL CATEGORIES OF PPE - TOTAL COST UNDERSTATED			TO NOTE: DEMAND DATA IS NOT CURRENTLY AVAILABLE FOR ALL CATEGORIES OF PPE - TOTAL COST UNDERSTATED		
		Paid/Ordered 28/04				SCCL			TOTAL		DEMAND - UK 90 Days 28/04/2020			DEMAND - UK 180 Days		
		Units	GBP Paid	GBP Committed - Outstanding	GBP Total	Units	SCCL committed spend 28/02 GDP	Average Price	Units purchased to date	Cost to date	Units	Average Purchase Price	Estimated cost	Units	Average Purchase Price	Estimated cost
2.2.6.01	Apron	98,014,400	1,996,194	13,753,164	15,749,358	219,778,375	5,223,539	0.02	317,792,775	20,972,897	1,771,389,552	0.16	284,634,170	4,783,048,675	0.16	768,559,965
2.2.5.02	Coveralls	21,078,109	200,520,184	215,123,220	415,643,404	1,120,024	30,925,861	27.61	22,198,133	446,569,265						-
2.2.6.02	Body Bags	260,000	3,697,235	2,400,000	6,097,235	75,090	545,288	7.26	335,090	6,642,523	91,131	23.45	2,137,108	223,290	23.45	5,236,355
	Cleaning Equipment				-						N/A			N/A		
	Clinical Waste Bags				-	20,502,900	2,068,863	0.10	20,502,900	2,068,863	84,751,860	0.10	8,551,960	114,537,146	0.10	11,557,471
2.2.2	Eye Protectors	187,706,388	74,619,508	234,213,082	308,832,590	166,481,037	312,874,337	1.88	354,187,425	621,706,927	336,750,103	3.34	1,124,738,084	863,580,423	3.34	2,884,339,997
2.2.1.03	Face Mask FFP3	29,426,000	158,556,481	45,752,087	204,308,567	24,132,040	55,934,316	2.32	53,558,040	260,242,884	37,768,005	6.94	262,228,199	84,086,580	6.94	583,824,125
2.2.1.02	Face Mask FFP2	68,946,000	124,330,593	79,022,135	203,352,728	20,297,500	53,466,072	2.63	89,243,500	256,818,800	N/A			N/A		
2.2.1.01	Face Mask IIR	458,319,500	157,806,936	106,354,089	264,161,026	542,891,730	265,692,292	0.49	1,001,211,230	529,853,318	425,907,799	0.60	255,319,167	1,134,256,585	0.60	679,953,376
	Fit Test (Full Kits)					79,703	9,881,370	123.98	79,703	9,881,370	N/A			N/A		
	Fit Test (Solutions)					224,066	2,088,258	9.10	224,066	2,088,258	N/A			N/A		
	General Purpose Detergent					17,523,198	803,709	0.05	17,523,198	803,709	5,893,325	0.05	270,300	5,893,325	0.05	270,300
2.2.4.01	Gloves	139,604,005	7,903,849	18,319,640	26,223,489	778,993,700	16,475,338	0.02	918,597,705	42,698,827	3,735,325,223	0.30	1,105,964,443	5,705,508,638	0.30	1,689,301,280
2.2.5.01	Gowns	146,937,738	261,111,813	652,094,493	913,146,306	110,435,331	482,624,337	4.37	257,373,069	1,395,770,642	37,587,958	7.12	267,526,006	83,130,357	7.12	591,666,411
2.2.3	Hand Hygiene	29,507,000	37,237,027	5,917,559	43,154,586	7,362,243	11,966,260	1.63	36,869,243	55,120,846	12,280,542	4.05	49,700,296	12,280,542	4.05	49,700,296
	Scrubs										N/A			N/A		
	Swabs					8,472,025	8,742,632	1.03	8,472,025	8,742,632	N/A			N/A		
2.2.7	Raw materials	6,006,000	4,248,000	396,000	4,644,000				6,006,000	4,644,000	N/A			N/A		
	Total	1,185,805,140	1,032,027,820	1,373,285,468	2,405,313,288	1,918,368,962	1,259,262,472		3,104,174,102	3,664,575,761			3,361,060,734			7,264,409,575
		-			-	-	-		-	-			7,025,645,494			10,928,985,336
	Recs			Rec to Report 1	-											

Facemasks N95 = equivalent to FFP2

DEMAND DATA AND TOTAL UNITS PURCHASED TO DATE ARE NOT DIRECTLY COMPARABLE. UNITS PURCHASED COVER PAST DEMAND.

OFFICIAL SENSITIVE

29. The scale of the DHSC intervention in the PPE market over such a short period may well on its own have increased prices. Factories

responded by selling their capacity to highest bidder, and exploited the opportunity to make profits while they could. A more evenly paced approach to ordering would have resulted in DHSC taking advantage of prices falling after their early peak (which one person interviewed suggested was happening by the end May 2020) and making a more realistic assessment of demand before committing to long term supply arrangements. Further, a more even – and less rushed – pace to ordering might have resulted in fewer contracting errors contributing to disputed contracts with limited scope for recovery, such as those described at paragraphs 20.c and 20.d.

30. The over-ordering also resulted in such a flood of PPE supply that the DHSC's warehouse and inbound goods handling capacity was rapidly exceeded with the result that PPE remained in shipping containers and goods were not inspected for as long as two years before being inspected, with the consequent problems for contract dispute resolution (as described at paragraph 20.e). – see photo below:



31. The error in the over-ordering was recognised as early as August 2020 when DHSC initiated the "Turn the tap" programme to curtail contracts, paying penalties where necessary, to cancel orders. By December 2020, £466 million had been recovered and a further £270 million was under negotiation.

Next Steps

32. The focus of my work as CCFC has already moved to its second phase, addressing fraud and seeking recoveries in relation to the wider programmes of public spending during the pandemic. However, I will continue to monitor the DHSC Contract Dissolution Team's work on Covid Recoveries in its management of the remaining live cases and work with liquidators. In addition, there are a number of remaining tasks to be undertaken before incorporating the material in this report into the final report due for publication later in the year:
    a. Outstanding interviews with a few interested parties not seen so far, including a retired director of a major Covid 19 PPE supplier and representatives of two NGOs who had commented critically on PPE procurement;
    b. Review of material from the final weeks of the Covid Inquiry's Module 5 (PPE) hearings which have only just finished;
    c. Follow-up meetings with officials and commentators whose inputs are reflected in this preliminary report, to test my conclusions;
    d. Confirming and updating data included in this report;
    e. Developing and sharing lessons learned for inclusion in the final report.

[i] See Appendix 1 - Removed

[ii] This figure includes (Removed) worth £9 million for which CCFC has approved the recommendation for a relatively small settlement but with the bulk of the claim against the supplier written off. This represents the difference between the total in this report and the £753 million write-off figure in the paper submitted by DHSC for HMT ministerial approval on 2 April 2025.

[iii] See Appendix 2 - Removed

[iv] This figure does not include the contract worth £9 million mentioned above, nor the recent settlement of a claim and counter-claim on a contract (Removed) originally worth £28milion.

[v] See note i above

[vi] See note ii above

[vii] DHCS Annual Report 2023-2024, page 204

Annex E

Evidence Base

E.1 I have compiled this review following rigorous examination of extensive evidence and detailed interviews with key officials. The commission's unique position grants me access to material that would not ordinarily be available for public scrutiny, including evidence from active investigations, commercially sensitive data, and confidential operational details. This privileged access enables me to draw upon a broader range of information than would otherwise be possible, though the evidential base remains necessarily partial. The report may reference estimates and unpublished data that, while not sufficiently rigorous for publication, has been considered in full regard to its limitations and contributes to my overall assessment. While the confidential nature of much of this material necessarily limits what can be disclosed publicly, it ensures my conclusions and recommendations are informed by the fullest possible understanding of the circumstances under review. The broad groups of evidence on which the review relies include.

E.2 **Background and Context:** This encompasses relevant official records, policy documents, legislation, and guidance that have formed the background of my work.

Policy documents

- **The Green Book**
- **Manging Public Money**
- **The Orange Book**
- **Consolidated budgeting guidance 2021-22**
- **Consolidated budgeting guidance 2022-23**

Standards

- **Commercial operating standards for government**
- **Government functional standard 13: Counter fraud standard**

Other relevant government documents

- **Bank of England: Financial stability report 2023**

- **British Business Bank: Future Fund – FAQ's for companies**
- **British Business Bank: Reservation notice for the Bounce Back Loan Scheme**
- **Public Sector Fraud Authority: UK Counter Fraud and Anti-Corruption Strategy 2024 to 2027**
- **Companies House: Striking off or dissolving a limited company**
- **Home Office: Fraud Strategy: Stopping Scams and Protecting the Public 2023**

Legislation

- **Coronavirus Act (2020)**
- **Economic Crime and Corporate Transparency Act (2023)**
- **Public Authorities (Fraud, Error and Recovery) Act (2025)**

Annual reports and accounts of government bodies and associated governance document

- **Department for Business, Energy and Industrial Strategy (BEIS) annual report and accounts**
- **Department for Business and Trade (DBT) annual reports and accounts**
- **Department of Health and Social Care (DHSC) annual reports and accounts of activity and services**
- **HM Revenue and Customs Annual report and accounts**
- **Department for Work and Pensions annual report and accounts**
- **Department for Transport annual report and accounts**
- **Insolvency Service annual report and accounts 2024-25**
- **Ministry of Housing and Local Government annual report and accounts 2021-22**
- **Ministry of Housing and Local Government: Accounting Officer System Statement (November 2020)**
- **Government Internal Audit Agency annual report and accounts**

Scrutiny, Audit, and Oversight Reports

- The Bounce Back Loan Scheme: an update (December 2021)
- Investigation into governments contracting for supplies of PPE during the Covid-19 pandemic (Nov 2020)
- Implementing employment support schemes in response to the COVID-19 pandemic (October 2020)
- COVID-19 business grant schemes (March 2023)
- Tackling fraud and error in government (July 2025)
- The housing of rough sleepers during the COVID-19 pandemic (January 2021)
- Employment support: The Kickstart Scheme (November 2021)
- Restart Scheme for long term unemployed people (December 2022)
- NAO Covid Cost Tracker
- Lessons learned: Tackling fraud and protecting propriety in government spending during an emergency (February 2024)

Reports from third sector Organisations

- Behind the Masks: Corruption red flags in COVID-19 public procurement, Transparency International
- Spotlight on Corruption briefing for the COVID-19 Inquiry

Commissioned and Public Data Analysis

- COVID-19 loan guarantee schemes repayment data: September 2025
- Kickstart Scheme: A Quantitative Impact Assessment
- HMRC: Error and fraud in the COVID-19 schemes - methodology and approach (an update for 2023)
- The Coronavirus Job Retention Scheme final evaluation
- RLS (iterations 1 & 2) Performance Data as at 30 September 2025

Other:

- **Accounting Officers Assessments** of their own COVID-19 spending schemes that were subject to review by the PSFA of which responses can be seen in Annex B.

This information was supplied to the Commissioner on a confidential basis with an expectation of confidentiality:

- **Archived and Current Correspondence:** A review of electronic and physical communications, such as emails, letters, and other forms of official correspondence.
- **Witness Interviews and Submissions (including international engagement):** Detailed accounts gathered from relevant staff, stakeholders, and other individuals, including leading figures in healthcare management, the insurance industry, and academia.

Annex F

Stakeholder Engagement Summary

Overview

F.1 Throughout the course of my review, extensive engagement was undertaken with stakeholders across the public, private and third sectors. These engagements were designed to gather evidence, understand operational experiences, validate findings, and ensure the recommendations reflect real-world challenges and opportunities for strengthening the UK's counter-fraud response during and beyond the COVID-19 pandemic.

F.2 This appendix provides a consolidated record of the organisations and groups consulted, the formats of engagement.

Public Sector Stakeholders

Central Government Departments and Agencies

- Cabinet Office Government Counter Fraud Function
- City of London Police
- Companies House
- Crown Commercial Service (CCS)
- Department for Business, Energy & Industrial Strategy (BEIS) and its successor departments
- Department of Health and Social Care (DHSC)
- Department Work and Pensions (DWP)
- Government Internal Audit Agency (GIAA)
- HM Treasury
- HM Revenue & Customs (HMRC)
- Home Office
- The Insolvency Service

- Local Government Association (LGA)
- National Crime Agency (NCA) - including National Economic Crime Centre
- NHS England and NHS Counter Fraud Authority
- Serious Fraud Office
- Supply Chain Coordination Limited
- UK Health Security Agency (UKHSA)

Devolved Governments

- Scottish Government
- Welsh Government
- Northern Ireland Executive departments
- Local authority counter fraud leads across all four nations

Public Bodies, Regulators and Audit Institutions

- National Audit Office (NAO)
- Public Accounts Committee (PAC)
- Local authority audit and assurance teams

Private Sector Stakeholders

- UK Finance
- Major High Street Banks
- Challenger banks and digital only institutions
- FinTech companies and fraud analytics providers

Professional Services and Industry specialists

- Forensic accounting and audit firms
- Risk analytics and data intelligence provides

Business Sector Representatives

- Federation of Small Businesses
- British Chambers of Commerce

- Industry associations representing hospitality, retail, construction and transport

- Large employers utilising the Coronavirus Job Retention Scheme or business support grants

Third Sector and Civil Society Stakeholders

Charities and Non-profits

- Step Change
- Money Advice Trust
- Transparency International
- Spotlight on Corruption
- Good Law Project
- Cifas

Academic and Research Institutions

- University research centres specialising in fraud, cyber security and public administration
- Independent economic crime researchers contributing data and policy analysis
- Think tanks with expertise in public spending and government efficiency

Consumer and Citizen Representatives

- Consumer rights organisations
- Representatives from advice services (e.g., Citizens Advice)

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I have been supported in my work over the past year by a small team from HM Treasury and the PSFA. I have benefited from the co-operation of civil servants working in the departments and ALBs whose work I have been charged with assessing, particularly from DHSC, especially its Contract Dissolution Team, DBT and the Insolvency Service. The National Audit Office provided valuable briefings on its reviews of COVID-19 spending and seconded a staff member to the PSFA team working with me. I am particularly grateful for the candour and openness of current and former officials who were at the heart of decision-taking about PPE procurement and the COVID-19 economic stimulus programmes. I have had valuable input from local authority finance officers and the Local Government Association, officials from the devolved governments, business lobby groups, professional bodies and regulators, BBLS lenders, anti-corruption campaigners, providers of advice to businesses, academics working on COVID-19 responses, and individuals who have come forward to offer their expertise and experience of the areas in the scope of my work. I am also grateful to colleagues from the International Public Sector Fraud Forum for the opportunity to share their experience combatting COVID-19 fraud

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