HM Revenue & Customs

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Chief Executive and First Permanent Secretary

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Dear Ms. Hillier,

I am writing to correct the answer I gave in response to a question from Sarah Olney MP at PAC on 29 April 2021 and supply some further information on the topic.

The question asked me to confirm that HMRC will be carrying out random enquiry programmes for each of the Coronavirus Job Retention Scheme (CJRS), the Self-Employment Income Support Scheme (SEISS) and Eat Out to Help Out (EOHO).

HMRC only intends to conduct a random enquiry programme for CJRS. While random enquiry programmes are a very strong tool at our disposal, by their very nature they mean we have to enquire into the affairs of compliant customers and so do not suit every circumstance. For example:

- There are some forms of compliance risk that are less likely to be detected through a random enquiry as a result of their nature and characteristics. Other sources can give better insights in these cases.
- The statistical principles involved mean that if the underlying rate of error and fraud is thought to be relatively low then we will need a very large sample to obtain a robust and reliable result. This is costly, including the opportunity cost of diverting HMRC resources from risk-based enquiries since compared to risk-based compliance cases, random enquiries usually find and secure lower amounts of error and fraud. Random enquiries can also involve a relatively large number of compliant customers.
- We also bear the cost/benefit relationship in mind with respect to the size of the potential revenue losses or incorrect payments in question. This factors in the relative scale of the relevant tax base or total claims and initial assessments of potential error and fraud risks.

These key considerations mean we do not judge random enquiry programmes to be a suitable or cost-effective way of generating useful data for assessing error and fraud in the SEISS grants 1-3 and in EOHO.

Instead we are taking a blended approach to our compliance analysis in all these schemes, bringing in a wide range of available evidence to best inform our provisional error and fraud assessments. These assessments and their wide evidence base have already fed into our development work and planning on these schemes.

As I mentioned at the hearing, we have already published our evaluation framework for the furlough scheme in December. We are also currently working hard, and in collaboration with the National Audit Office, to update our provisional error and fraud assessments for HMRC's Annual Report and Accounts this year.

I am sorry for the error in my response to Ms Olney's question at the hearing.

Yours sincerely

JIM HARRA

CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY