



Jim Harra
Chief Executive and First Permanent Secretary

Dame Meg Hillier
Chair, Public Accounts Committee

Room 2/75
100 Parliament Street
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By email

24th September 2021

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Dear Dame Meg Hillier,

HMRC Error and Fraud – PAC Error and Fraud Report Recommendation 3c

I am writing to you in response to recommendation 3c of the Committee's report on Error and Fraud (E&F).

PAC recommendation: HMRC should write to the Committee within 3 months setting out how they will measure fraud and error in all their COVID-19 schemes and build prompt measuring of fraud and error into their future programmes from the outset.

HMRC Response

The government has been clear throughout that we should prioritise getting money to those who need it. HMRC designed and launched the COVID-19 schemes in six weeks to minimise fraud from the outset, while not holding up payments unnecessarily. HMRC were clear up front that the schemes would be attractive to both criminal and opportunistic fraud. At the outset of this work, an initial planning assumption on the likely level of E&F was developed in parallel with the design of schemes. Refining those planning assumptions and improving our understanding of the level of E&F is a major programme of work for HMRC's analysts, led by HMRC's Knowledge, Analysis and Intelligence directorate (KAI). We have actively assessed the potential level of E&F, not only while schemes have been live, but also when considering the design of further iterations of schemes.

HMRC shared planning assumptions with the Committee in September 2020 and shared methodologies for measuring E&F with the National Audit Office. HMRC plans to publish revised and detailed provisional estimates for each scheme in the Annual Report and Accounts (ARA) in autumn 2021. As policy evolved and compliance work began, HMRC used early evidence, insight, and intelligence on the schemes to refine the initial E&F

planning assumptions. These refinements have driven continuous improvements in policy and compliance work.

The 2020/21 ARA, will report on current estimates of E&F for that year, using the best available evidence from the implementation of the Coronavirus Job Retention Scheme (CJRS), Self-Employment Income Support Scheme (SEISS) (grants 1 to 3) and Eat Out to Help Out (EOHO) schemes. For each scheme, we have used operational data and intelligence about the E&F risks, as well as external independent survey data, where it is available. Methodologies for measuring E&F have been tested with operational insight and across the policy partnership in HMRC and HM Treasury.

To develop final estimates, HMRC will need more compliance investigations to be completed, the CJRS random enquiry programme to conclude, and a larger proportion of Income Tax Self-Assessment (ITSA) tax returns submitted covering the 2020/21 period. Ahead of this data becoming available, we have acted promptly and used a wide-ranging blend of evidence and analytical techniques available to us to make the best possible provisional estimates. Given that the Eat Out to Help Out scheme was a short-term intervention, which is now closed, we do not expect significant new data or information to become available and we are, therefore, not expecting to update the E&F estimates for this scheme. We aim to produce refined CJRS estimates in first part of 2022. For SEISS, we will expect to be able to refine the E&F estimates when the full year of 2020-21 Self-Assessment data becomes available in early 2022

Yours sincerely,



JIM HARRA
CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY