

# Government Response to the Final Report of the Covid Counter Fraud Commissioner

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HM Treasury

# **Government Response to the Final Report of the Covid Counter Fraud Commissioner**

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Presented to Parliament  
by the Chancellor of the Exchequer  
by Command of His Majesty

June 2026

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# Foreword

**£10.9 billion.**

**That is the estimated amount of fraud and error across COVID-19 pandemic support schemes.**

This is money that should have funded our NHS and our schools. Money that belongs in our communities. Money that we have been working to recover. Like the British people, I am outraged by those who took advantage of a national emergency to defraud the taxpayer.

I appointed Tom Hayhoe as the Covid Counter Fraud Commissioner to ensure the mistakes of the past are never repeated. I welcome his final report, *Pursuing Recoveries and Preventing Reoccurrence*, received on 9 December 2025. The Government has since been considering his findings carefully.

The Commissioner's report sets out crucial recommendations for recovering pandemic-related fraud and preventing the misuse of public funds during future national emergencies. This document is our detailed response to his full report, including our position on each of his recommendations.

We are already acting. The Public Authorities Fraud Investigation and Enforcement Service, established under the Public Authorities Fraud, Error and Recovery Act 2025, is now operational and commencing investigations against those who defrauded the public during the pandemic. We have scaled up enforcement activity against fraudulent Bounce Back Loan recipients, including compulsory liquidations, and are intensifying recovery activity across pandemic-era schemes.

Recovering these funds is not straightforward. Significant time has elapsed, many of the entities involved have been dissolved, and some funds may prove irrecoverable. But we owe it to you, the British taxpayer, to pursue every reasonable avenue, and to ensure that those who defrauded the public during a national crisis face consequences.

I thank Mr. Hayhoe, his team, and all those who supported them to develop the final Review and its recommendations for their tireless efforts in chasing down fraud.

The British people were let down. This Government remains committed to putting it right – by recovering funds taken by fraudsters during the pandemic, holding those responsible to account, and ensuring that taxpayer money is better protected in the future.



**Rt Hon Rachel Reeves MP Chancellor of the Exchequer**

# Chapter 1

## Overview

The COVID-19 pandemic elicited a fiscal response without precedent. Between the start of the pandemic and June 2026, the Government spent an estimated £380 billion<sup>1</sup>, much of it through borrowing that taxpayers are still paying off today.

The speed and scale of that response came at a cost. An estimated £10.9 billion<sup>2</sup> has been lost to fraud and error across COVID-19 spending. The Public Sector Fraud Authority assesses that actual losses are likely higher still. Of the £10.9 billion lost, just £1.8 billion has been recovered. In the Bounce Back Loan Scheme alone, lenders have reported almost £1.9 billion in government backed loans flagged as suspected fraud to the British Business Bank, on which the Government has paid out £1.6 billion under the guarantee<sup>3</sup>.

When this Government took office in July 2024, most pandemic-related fraud recovery efforts were winding down. The window for issuing proceedings in many of these frauds was narrowing, with some claims set to expire as early as March 2026. The powers needed to extend that window and pursue fraud at scale had not yet been legislated for and the investment to do so had not yet been made.

Nor had the hard-earned lessons of the pandemic concerning the prevention of fraud been sufficiently embedded into the Government's preparedness for future crises. Many crisis preparedness guidebooks had not yet been updated to reflect what the pandemic laid bare. The same failures were at risk of being repeated.

However, the Government has now chosen a different course.

### The Commissioner

In December 2024, the Government appointed an independent Covid Counter Fraud Commissioner to examine the full picture of pandemic-related fraud and report publicly to Parliament.

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<sup>1</sup> Available at <https://www.gov.uk/government/statistics/hm-treasury-2026-covid-19-cost-tracker-update/2026-hm-treasury-covid-19-cost-tracker-update>

<sup>2</sup> Available at <https://www.gov.uk/government/publications/final-report-of-the-covid-counter-fraud-commissioner>

<sup>3</sup> Available at <https://www.gov.uk/government/publications/covid-19-loan-guarantee-schemes-repayment-data-december-2025>

The Commissioner investigated in two phases: one focussing on the procurement of personal protective equipment (PPE), the other on wider pandemic related spending. As part of this the Commissioner worked with the Government to launch a dedicated fraud reporting site, which has received over 1000 reports of potential fraud<sup>4</sup> and counting.

The Commissioner published his report on 9 December 2025, setting out his findings and recommendations on recovery, enforcement and future resilience. Since his report was published, the Government has begun implementing its strategy to recover pandemic related fraud and prevent fraud in future national emergencies, detailed below. Formal responses to each of the Commissioner's recommendations are recorded in Chapter 2.

## Legislation

In December 2025, the Public Authorities (Fraud, Error and Recovery) Act (PAFER) received Royal Assent. This Act is the most significant strengthening of the Government's counter-fraud enforcement powers in a generation. The Act extends the limitation period for civil claims relating to Covid fraud against public authorities from six years to twelve. This means that government can continue to pursue those who committed fraud against the taxpayer during the pandemic. The Act also creates new investigation, search-and-seizure, and information-gathering powers for the Public Sector Fraud Authority (PSFA), including the ability to compel information from third parties. It introduces civil financial penalties as a faster alternative to criminal prosecution. Finally, it provides new powers to recover fraud-related debt directly from earnings or bank accounts following a PSFA investigation.

## Action

The Government has invested in recovering fraud. A landmark £7.53 billion has been protected for the public purse in 2024-25 through the Government's relentless crackdown on public sector fraud and error<sup>5</sup>. Together, the 2024 and 2025 Autumn Budgets represent the most significant package of measures to tackle fraud and error across the public sector to date<sup>6</sup>. Within this, targeted resource has been directed at pandemic fraud recovery.

- Dedicated enforcement. The Public Authorities Fraud Investigation and Enforcement Service (PAFIES) has been established within the PSFA to pursue the recovery of Covid-related fraud. Investigators have been recruited,

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<sup>4</sup> Internal PSFA figure

<sup>5</sup> Available at <https://www.gov.uk/government/news/crackdown-on-public-sector-fraud-delivers-over-75-billion-of-savings-to-the-taxpayer>

<sup>6</sup> Internal PSFA analysis of counter-fraud investments at fiscal events

investigations are underway, and enforcement action under the new PAFER powers is due to commence in autumn 2026. A civil penalties regime for suspected Bounce Back Loan Scheme (BBLs) fraudsters is being designed and prepared for implementation. An initial target population has been identified, and work is underway with the PSFA to pursue those who committed fraud through the full range of powers available to government.

- Insolvency and disqualification. Enforcement action by the Insolvency Service across Covid loan schemes has, to date, resulted in 2,940 directors being disqualified and successful criminal outcomes against 86 people<sup>7</sup>. The Insolvency Service is scaling up the use of compulsory liquidation for Covid loan recovery and enforcement. In addition, the Insolvency Service has commenced a test-and-learn pilot targeting the most serious suspected fraud cases, exploring faster routes to disqualify directors and to issue compensation orders, alongside digital tools to streamline investigations.
- Direct engagement with borrowers. Ahead of the new PAFER powers coming into force, the Government launched a voluntary repayment scheme in September 2025, providing Covid scheme recipients with a three-month window to repay outstanding money they were not entitled to or did not need. The scheme closed on 31 December 2025. In parallel, letters have been issued to those suspected of fraud and at risk of further investigation. Fraudsters who have not taken the opportunity to come forward voluntarily now face the full range of enforcement action available under the new PAFER powers and through PAFIES.

Several of the enforcement measures now underway, including PAFIES, the Insolvency Service's test-and-learn activities and the PSFA's direct engagement with borrowers, have been designed as pilot exercises. Early evaluations of these pilots are expected in spring 2027. The Government will scale those that demonstrate clear returns, extending their reach across the population of suspected fraud cases.

## Preventing Future Fraud

The Commissioner's report found that fraud control was not adequately embedded in crisis preparedness, a finding the Government accepts. Work is underway to address this across five areas.

- Emergency planning. The Cabinet Office Briefing Room (COBR) Directorate, with HM Treasury and the PSFA, will embed

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<sup>7</sup> Composite figure using figures at end April 2025 from the following press release: <https://www.gov.uk/government/news/insolvency-service-to-take-on-the-work-of-the-national-investigation-service> and May 2025 to March 2026 figures from the Insolvency Service's annual enforcements outcomes: <https://www.gov.uk/government/publications/insolvency-service-enforcement-outcomes-management-information/insolvency-service-enforcement-outcomes-2025-26>.

proportionate counter-fraud expectations in standards and crisis exercises, so that fraud control is built into emergency planning from the outset.

- Scheme design. HM Treasury and the PSFA will strengthen existing crisis playbooks to minimise fraud and fraud-related debt.
- Challenge in crisis decisions. HM Treasury and the PSFA will clarify how existing risk frameworks, including the Orange<sup>8</sup> and Amber<sup>9</sup> Books and the three lines of defence, apply to emergency spending, ensuring fraud challenge is structural. Accounting Officers will receive formal guidance on their counter-fraud duties when operating under ministerial direction.
- Data and transparency. The PSFA will review the Digital Economy Act framework to enable faster data sharing in emergencies, and develop simplified guidance for establishing data sharing agreements. Companies House reforms under the Economic Crime and Corporate Transparency Act 2023 will require small companies and micro-entities to file profit and loss accounts.
- Building counter-fraud capability. Counter Fraud Investigator Apprenticeships have significantly increased since December 2023, from 37 registered with the Government Counter Fraud Profession (GCFP) to 793 as of March 2026<sup>10</sup>. A new Fraud Control Apprenticeship, the world's first, was approved in April 2026<sup>11</sup>. In 2022-23, only two departments had set a financial impact target for their counter-fraud work. By 2023-24, 14 government departments had<sup>12</sup>.

## Next Steps

The Government will establish a Covid Fraud Scrutiny Panel to provide independent oversight of the delivery of our response and to drive the change needed across all of government, so the mistakes of the past are not repeated in the future. The Panel will monitor progress on recovery, assess the effectiveness of new enforcement powers as they are deployed, and scrutinise the findings of the reviews listed in Chapter 2.

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<sup>8</sup> Available at <https://www.gov.uk/government/publications/orange-book>

<sup>9</sup> Available at <https://www.gov.uk/government/publications/the-central-government-s-concept-of-operations>

<sup>10</sup> Internal PSFA Figure

<sup>11</sup> See more at <https://skillsengland.education.gov.uk/apprenticeships/st1445-in-revision>

<sup>12</sup> Available at <https://www.gov.uk/government/publications/cross-government-fraud-landscape-report-2021-2022/cross-government-fraud-landscape-report-2021-2022-html> and [https://assets.publishing.service.gov.uk/media/698dedc2492ea446ea7f432d/Cross-Government\\_Fraud\\_Landscape\\_Report.pdf](https://assets.publishing.service.gov.uk/media/698dedc2492ea446ea7f432d/Cross-Government_Fraud_Landscape_Report.pdf)

# Chapter 2

## Responses to the Commissioner's Recommendations

### Recommendations for Government

#### Recommendation 1: Public Sector Reform

**Commissioner's conclusion:** *The Commissioner concludes that many organisations lacked the capability, capacity and legal powers to address COVID-19 fraud effectively and did not make sufficient use of innovative approaches or external expertise. While steps have since been taken through public sector fraud reform, including new legislation and the establishment of the Public Sector Fraud Authority (PSFA), further action is required to strengthen prevention and capability across government.*

**1a. The Commissioner recommends:** The PSFA should set 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 to tackle fraud.

The Government **accepts** the Commissioner's recommendation.

The Government brought forward the PAFER Act, which received Royal Assent on 2 December 2025, as part of the biggest fraud crackdown in a generation. The measures in the Act give the Government more tools to combat fraud, recover public money and allow the Government to investigate fraud. The Act will enable the PSFA to deliver on its mandate to support the public sector in tackling fraud by empowering PAFIES to address fraud against public authorities outside of tax and social security with significant additional investigatory and enforcement powers. To ensure these powers make the greatest possible impact on fraud, the PSFA will undertake a review of the existing and new legislation and set out an action plan for delivery.

**1b. The Commissioner recommends:** The PSFA should continue to deliver it's vision reflecting on the lessons learnt outlined in this report.

The Government **accepts** the Commissioner's recommendation.

The PSFA drives forward the development of the Government's counter-fraud approach. It is committed to building a more effective counter-fraud response to emergency spending situations through expert prevention and data analytics services to help find and tackle fraud. The PSFA is also building counter-fraud capability through the world's first Counter Fraud Profession. Since 2022-23 the PSFA has delivered over £1.2bn in total audited counter-fraud benefits<sup>13</sup>. The PSFA will provide an update to delivering the Commissioner's recommendations within its Annual Plan. The PSFA will also reflect on the lessons learned set out in the Commissioner's report and will report on how the Government Counter Fraud Function is embedding best practice through the Counter Fraud Functional Strategy Progress Review.

**1c. The Commissioner recommends:** The PSFA and the Government Counter Fraud Function (GCFE) 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.

The Government **accepts** the Commissioner's recommendation.

The Government Counter Fraud Profession (GCFP) detection standard<sup>14</sup>, published May 2025, sets out how to innovate and better detect fraud and error across the public sector. This forms part of the Fraud Control Discipline that will be rolled out as a formal Apprenticeship, which will drive innovative fraud reduction activity across public and private sectors.

The GCFP standards draw on private, third and academic sector expertise via its Cross Sector Advisory Group (CSAG). The CSAG peer reviews and recommends changes to GCFP developments to ensure current best practices are reflected in all products.

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<sup>13</sup> Composite figure from the total benefits (both the recovery and prevention of fraud) reported in the PSFA's annual reports for the financial years 2022-23, 2023-24 and 2024-25, available at: [https://assets.publishing.service.gov.uk/media/6554919250475b000dc5b5e0/Public\\_Sector\\_Fraud\\_Authority\\_Annual\\_Report\\_2022-2023.pdf](https://assets.publishing.service.gov.uk/media/6554919250475b000dc5b5e0/Public_Sector_Fraud_Authority_Annual_Report_2022-2023.pdf); [https://assets.publishing.service.gov.uk/media/6871090ffe1a249e937cc062/PSFA\\_Annual\\_Report\\_23-24.pdf](https://assets.publishing.service.gov.uk/media/6871090ffe1a249e937cc062/PSFA_Annual_Report_23-24.pdf) and [https://assets.publishing.service.gov.uk/media/699597dfbfdab2546272bf0c/Public\\_Sector\\_Fraud\\_Authority\\_Annual\\_Report\\_2024-2025\\_PDF.pdf](https://assets.publishing.service.gov.uk/media/699597dfbfdab2546272bf0c/Public_Sector_Fraud_Authority_Annual_Report_2024-2025_PDF.pdf)

<sup>14</sup> Available at [https://assets.publishing.service.gov.uk/media/682c660160f66b9c23b00c7f/PSFA\\_Standards\\_-\\_Standard\\_for\\_Fraud\\_Detection\\_Practitioners.pdf](https://assets.publishing.service.gov.uk/media/682c660160f66b9c23b00c7f/PSFA_Standards_-_Standard_for_Fraud_Detection_Practitioners.pdf)

The PSFA will develop best practices for how public bodies can draw on external expertise from the private sector and wider public sector to support counter-fraud responses during an emergency.

## Recommendation 2: Crisis Response Preparedness

**Commissioner's conclusion:** *The Commissioner concludes that while preparedness and resilience processes have been strengthened since the pandemic, fraud control is not yet fully embedded within resilience planning across government. Further action is therefore required to ensure fraud risk is systematically considered as part of future emergency preparedness and response.*

**2a. The Commissioner recommends:** The 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.

The Government **accepts** the Commissioner's recommendation.

The Cabinet Office Briefing Room (COBR) Directorate is responsible for the UK preparedness for and response to major emergencies. COBR is currently developing Lead Government Department standards, which will articulate the minimum expectations and good practice across a multitude of emergency management activities across the resilience cycle.

The COBR Directorate, with support from HM Treasury and PSFA will ensure that the standard sets out proportionate counter-fraud expectations for the use of public money when preparing for, responding to and recovering from emergencies. This will ensure that Lead Government Departments understand what they need to do so that emergency spending is done lawfully, transparently, and gets value for money.

**2b. The Commissioner recommends:** HMT and the 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.

The Government **accepts** the Commissioner's recommendation.

Since the pandemic, the Government has developed multiple playbooks and pieces of guidance to assist departments to design better and more targeted schemes for future crises. While many of these guidebooks already include substantial counter-fraud components, in light of the Commissioner's findings, HM Treasury and the PSFA will review these playbooks to enhance guidance around minimising fraud and fraud related debt during future crises. HM Treasury and the PSFA will ensure this guidance remains up to date as counter-fraud measures develop.

Examples of guidance that will be reviewed include the Government Grants Management Function's "Grant Making in Emergencies", which draws on pandemic experiences to provide best practice for developing emergency grant schemes at pace; and the Government Debt Management Function's "Managing Debt in a Crisis" handbook which codifies critical learnings concerning debt management from the pandemic and sets out guidance for managing debt in future crises. With respect to loan guarantees, the British Business Bank continues to run a post-Covid successor scheme, the Growth Guarantee Scheme. This scheme incorporates many improvements based on lessons learned from pandemic era loan guarantee schemes, and, though not an appropriate scheme in all future situations, the scheme and learnings gleaned from it may be used in the design of future schemes in response to crisis, and in helping inform government preparatory guidance in this area.

### Recommendation 3: Fraud Sensitive Crisis Decisions

**Commissioner's conclusion:** *Insufficient challenge in key crisis decisions contributed to significant levels of fraud, error and abuse during the COVID-19 response. Where high fraud risk is accepted in emergency situations, the consequent impact on downstream counter-fraud activity must be more clearly recognised and planned for.*

**3a. The Commissioner recommends:** 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 the PSFA.

The Government **partially accepts** the Commissioner's recommendation.

The Orange and Amber books support the concept of Challenge Champions through the three lines of defence model to manage risk in government. Balancing spending at pace to respond to an emergency and the fraud risks that creates is challenging. Managing the risks of fraud and error associated with emergency spending remain with the Minister, Accounting Officer and senior officials in the public body making the spending decision. This “first line” is supported by a range of different ‘challenge champions’ both within and outside the organisation and can include Heads of Risk and Counter Fraud Leads as well as HM Treasury, the PSFA and others. It is important that the first line seeks and uses the challenge.

Government believes there is more to do to understand how existing guidance can be best applied during crisis spending. To help with this, the PSFA and HM Treasury will explore ways in which the intentions set out in the Amber and Orange books, along with relevant processes and controls, can be more clearly articulated into responsibilities for public bodies facing emergency spending decisions.

The PSFA, drawing on the initial fraud impact assessments and lessons learned during the pandemic, will provide guidance to counter-fraud professionals on evidence-based, proportionate controls to counter-fraud challenges in new spending, and support them in conducting lesson learnt activity. The GCFP will continue to gather and share lessons learned in managing fraud risks across the profession.

**3b. The Commissioner recommends:** 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.

The Government **accepts** and has already implemented the Commissioner's recommendation.

HM Treasury has provided clearer guidance on how to treat fraud and error in appraisal as part of the new Green Book<sup>15</sup>, published in February 2026.

HM Treasury has also published updated Treasury Approvals Process guidance for projects and programmes<sup>16</sup> in April 2026, which now

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<sup>15</sup> Available at <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2026>

<sup>16</sup> Available at <https://www.gov.uk/government/publications/treasury-approvals-process-for-programmes-and-projects>

encourages departments to set aside an indicative 'clean-up cost' for recovery and enforcement at the outset of future crisis programmes.

**3c. The Commissioner recommends:** 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.

The Government **partially accepts** the Commissioner's recommendation.

HM Treasury recognises the intent of this recommendation, that is, to ensure policies with a ministerial direction are closely managed with transparency on the action being taken. This is reflected in Managing Public Money, including since 2023 a requirement that any policy covered by a ministerial direction should be brought into line with the relevant accounting officer duties (including those on fraud prevention) at the earliest opportunity. We will raise awareness of this duty among Accounting Officers, including issuing a formal "Dear Accounting Officer" letter to provide more detail on how this applies in relation to counter-fraud standards.

HM Treasury agrees that it is important that ministerial directions are transparent, as are the actions taken in line with them. However, introducing a separate category of directions on matters of fraud which are subject to different reporting standards would introduce additional complexity into the system. We will review the ministerial direction process to consider whether there is more that can usefully be done to maintain visibility of these while they remain extant, without introducing additional complexity. The addition of any new reporting requirement, whether as part of or separate to the departmental Annual Reports and Accounts process, will need to be balanced against the need to reduce the financial reporting burden and efforts to improve timeliness of financial reporting more generally.

## Recommendation 4: Incentives to Drive Fraud and Error Recovery

**Commissioner's conclusion:** *There are limited incentives for departments outside HMRC and DWP to prioritise fraud and error prevention and recovery, resulting in inconsistent focus and outcomes across government. Stronger incentives are therefore required to drive sustained action on fraud and error.*

**4a. The Commissioner recommends:** HMT should ensure incentives are in place for departments to maximise action, by amending the Consolidated Budgeting Guidance to better capture the benefits of action to tackle public sector fraud, and by permitting departments to retain a proportion of recovered funds.

The Government **accepts** the Commissioner's recommendation.

HM Treasury has made strides in recent years to better align incentives to recover fraud across the spending framework, including introducing additional guidance in Consolidated Budgeting Guidance in 2022 which established that HM Treasury will look favourably upon requests to retain income generated through improved counter-fraud<sup>17</sup>. HM Treasury will look to build awareness with departments of this existing provision and encourage its uptake where appropriate.

HM Treasury will also undertake a targeted review of Consolidated Budgeting Guidance to evaluate whether the correct incentives for departments to prioritise fraud and error prevention and recovery are in place, including considering the introduction of the routine retention of fraud recoveries.

## Recommendation 5: Professional Accountability

**Commissioner's conclusion:** *While law enforcement and HMRC have established approaches for engaging professions and regulators to address professional enablers of economic crime, this is not applied consistently across the wider public sector. Broader and more coordinated engagement is required to strengthen professional accountability and reduce the risk of fraud facilitation.*

**5a. The Commissioner recommends:** GCFE and the Joint-Anti-Corruption-Unit (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.

The Government **accepts** and has already implemented the Commissioner's recommendation.

There is already significant work planned to address the risk professional enablers pose through the facilitation of fraud. The

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<sup>17</sup> See Paragraph 4.68 at the following for the most up to date version of this guidance: <https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2025-to-2026/consolidated-budgeting-guidance-2025-26>

Professional Enablers Strategy 2023-2026<sup>18</sup> set out six pillars that focus on developing a whole system approach to tackling the damaging role professional enablers have in economic crime. The UK Anti-Corruption Strategy 2025<sup>19</sup>, published under the current government, goes further in setting out how government plans to sanction professional enablers of fraud.

In 2023, HM Treasury conducted a consultation of the supervisory regime for anti-money laundering and counter-terrorism. A conclusion of that consultation is that the Financial Conduct Authority will become the single supervisory body for a range of professions who could enable fraudsters, including accountancy, tax and insolvency practitioners. The PSFA will work with the Joint-Anti-Corruption-Unit, Financial Conduct Authority and other public and professional bodies to improve the processes with which taxpayer money is protected against the professional enablers of fraud.

## Recommendation 6: Public Engagement / Communications

**Commissioner's conclusion:** *Limitations in public communications during the pandemic reduced the deterrent effect of enforcement activity and contributed to perceptions that COVID-19 fraud went unpunished. Future crisis preparedness should therefore include clear and timely communications to discourage fraudulent behaviour and reinforce that fraud and abuse of public funds are not victimless crimes.*

**6a. The Commissioner recommends:** The Government Communication Service (GCS) should work with the PSFA and other government organisations to develop a preprepared 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.

The Government **accepts** the Commissioner's recommendation.

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<sup>18</sup> Available at <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/724-cross-system-professional-enablers-strategy/file>

<sup>19</sup> Available at <https://www.gov.uk/government/publications/uk-anti-corruption-strategy-2025>

The Government Communication Service (GCS) has strengthened its crisis communications by establishing a comprehensive Crisis Communications Operating Model, setting out the functional requirements for preparing for, responding to, and recovering from crises. Furthermore, the GCS has enhanced departmental readiness through its new crisis planning guide and ongoing collaboration with departments.

The GCS will support the PSFA by convening relevant departments and providing behavioural science insights to ensure messaging is effective to deter potential fraud against government crisis response spending.

## Recommendation 7: Data and Intelligence Sharing and Collaboration

**Commissioner's conclusion:** *Data and intelligence sharing across government remains overly complex and slow, limiting the ability to detect and prevent fraud, particularly in crisis conditions. These challenges are heightened where delivery relies on third parties, making it more difficult to assess fraud risk and respond effectively. Strengthened data-sharing arrangements and collaboration are therefore required to improve preparedness for future emergencies.*

**7a. The Commissioner recommends:** 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 (DEA) and what the minimum data departments should be expected to collect when they spend taxpayer money through third parties.

The Government **accepts** the Commissioner's recommendation.

The PSFA is working on a review of the DEA Public Service Delivery, Debt & Fraud Code of Practice to help facilitate more effective data sharing. As part of this we will review how the DEA is operating.

The PSFA will also develop improved documentation, guidance and process maps to help simplify the process of setting up data sharing agreements for fraud. This will include exploring how to streamline processes and utilise AI assistance, working with stakeholders in developing efficient DEA data shares.

Working with Department for Science, Innovation, and Technology (DSIT) and HM Treasury, the PSFA will support efforts to improve data quality (both accuracy and completeness) and facilitate more effective data analytics.

## Recommendation 8: Institutional Transparency

**Commissioner's conclusion:** *Limited institutional transparency hindered effective due diligence and reduced the deterrent effect against fraud during the pandemic. Gaps in publicly available information on companies receiving grants and loans, including limited visibility of ownership, turnover and financial activity, significantly constrained the prevention, detection and recovery of fraud. Improved transparency is therefore required to support stronger fraud controls and public accountability.*

**8a. The Commissioner recommends:** Public Sector bodies should be transparent in the award of grants and loans to businesses and to other public bodies.

Regarding emergency loan guarantee schemes to support small businesses, the Government **accepts** the Commissioner's recommendation.

Loan guarantee schemes during the pandemic incorporated several transparency measures, including the publication of scheme information, eligibility criteria, and lending terms. We have also maintained transparency on the performance of the pandemic-era loan guarantee schemes through regular publication of aggregate data. The Government has built upon the transparency of its business support guarantee schemes through the Future Fund, publishing information on all companies in which the Future Fund holds an equity interest, alongside regular aggregate portfolio data covering loan conversions, equity holdings, cash realisations, and insolvencies<sup>20</sup>.

While government already maintains high levels of transparency in its loan guarantee schemes, in light of the Commissioner's findings, the Government will review existing pandemic support scheme preparedness materials to assess whether additional measures can enhance transparency in potential future emergency loan guarantee schemes. Additionally, the review will examine opportunities to integrate data sharing provisions into loan scheme design to strengthen the Government's capacity to combat fraud within these schemes.

With respect to grants the Government **accepts** and has already implemented the Commissioner's recommendation.

The UK's Open Government National Action Plan for 2019-2021<sup>21</sup> included a commitment to improve the transparency and accessibility

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<sup>20</sup> Data available at <https://www.british-business-bank.co.uk/finance-options/legacy-programmes/future-fund/future-fund-companies>

<sup>21</sup> Available at <https://www.gov.uk/government/publications/uk-national-action-plan-for-open-government-2019-2021>

of government grants data. Government met this commitment by publishing data from the Government Grants Information System (GGIS), starting from 2021. Data capture requirements for the GGIS are set out in the Government Grants Data Standard, and are part of a memorandum of understanding (MoU), which is agreed with each central department.

Data from the GGIS is published annually on the Government Grants Data and Statistics<sup>22</sup> page on GOV.UK for grants made by government departments and their ALBs. Sensitive information may be withheld from the GGIS, redacted from individual records and suppressed at publication.

**8b. The Commissioner recommends:** 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.

The Government **partially accepts** the Commissioner's recommendation.

DBT's proposed Companies House accounts reforms under the Economic Crime and Corporate Transparency Act 2023 will require: (1) small companies and micro-entities to file profit and loss accounts with Companies House, as other companies do; (2) all companies to file accounts by software using inline extensible Business Reporting Language format; and (3) some technical modifications. These reforms will continue but with two changes.

First, small companies and micro-entities will be able to opt out of publishing their filed profit and loss accounts on the register. This is in response to concerns from the business and investment community around the commercial risks for smaller companies of disclosing this information, and the potential impact on investment opportunities. Where a company opts out of publishing this data, Companies House, law enforcement and HMRC will still have access to identify and tackle fraud, economic crime and tax evasion.

Second, to give companies and software providers more time to prepare, we will postpone implementing these reforms by one year, from April 2027 to April 2028.

These reforms will improve the transparency, accuracy and reliability of data on the register, and help tackle economic crime.

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<sup>22</sup> Available at: <https://www.gov.uk/government/collections/government-grants-data-and-statistics>

## Recommendation 9: Governance and Monitoring

**Commissioner's conclusion:** *Future programmes of work should be underpinned by strong governance and effective monitoring arrangements, drawing on international best practice such as the Pandemic Response Accountability Committee model. Clear oversight and accountability are required to ensure lessons are applied and progress against fraud risks is systematically tracked.*

**9a. The Commissioner recommends:** 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. 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.

The Government **accepts** the Commissioner's recommendation.

HM Treasury will establish a scrutiny panel, chaired by the Chief Secretary to the Treasury and the Cabinet Office Minister responsible for fraud, and comprising both members internal and external to government. The panel will meet every 6 months for two years to drive progress in recovering pandemic related fraud. This panel will sit alongside the Government's 6-monthly monitoring and reporting of its implementation of the independent Covid-19 Inquiry's recommendations.

## Recommendations for Specific Government Departments

### Recommendation 10: Department of Health and Social Care (DHSC)

**10a. The Commissioner recommends DHSC should:** Continue to pursue settlement of the remaining PPE contracts in dispute through negotiation, mediation or litigation.

The Government **accepts** the Commissioner's recommendation.

A comprehensive strategy is in place for the resolution of the 5 remaining PPE contracts and progress continues at pace, working with our legal teams and government agencies to maximise cash recovery to our NHS.

**10b. The Commissioner recommends DHSC should:** Consult the HM Treasury spending team responsible for DHSC, before passing recommendations to ministers for claims against suppliers to be waived or abandoned.

The Government **accepts** the Commissioner's recommendation.

The HM Treasury team responsible for DHSC has approved DHSC's proposed sign off process for the waiving or abandoning of any future claims.

### Recommendation 11: Department for Business and Trade (DBT)

**11a. The Commissioner recommends DBT should:** Review the companies in the Dissolution Objections Process (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.

The Government **accepts** the Commissioner's recommendation.

DBT is already working on establishing an end state for the Covid Loans programme, including a considered approach to resolving outstanding DOP cases. DBT is exploring options at pace to improve investigation

and enforcement activity in the Covid loan Schemes. This includes working with lenders to target companies through compulsory liquidation and working on a test-and-learn pilot that will target the suspected fraud population in the DOP. We will continue to work with the Insolvency Service to protect the public by disqualifying directors who have abused the schemes and recovering money for the taxpayer.

**11b. The Commissioner recommends DBT should:** Develop and implement an approach making use of powers under PAFER to address cases of suspected Bounce Back Loan fraud undertaken by sole traders and third sector organisations.

The Government **accepts** the Commissioner's recommendation.

DBT and the PSFA are designing and preparing to implement a civil penalties regime for suspected BLS fraudsters incorporating the new powers made available under the PAFER Act. The regime will use authorised officers now being recruited into the PSFA to pursue and recover funds lost to suspected Covid loan fraud. We have already identified a potential target population for the initial stage of the new regime and are working with the PSFA to define how this initial cohort will be dealt with via the full range of powers and interventions available to the PSFA. We are working at pace with a view to having the regime operational by autumn 2026.

## Recommendation 12: Ministry of Housing, Communities and Local Government (MHCLG)

**12a. The Commissioner recommends MHCLG should:** 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.

The Government **partially accepts** the Commissioner's recommendation.

MHCLG recognises the importance of supporting local counter-fraud response and is committed to taking action to strengthen and build on the frameworks which support the detection and prevention of fraud at the local authority level.

MHCLG's Accounting Officer is responsible for the Local Government Accountability Framework (LGAF), which is published as part of MHCLG's Accounting Officer System Statement. The LGAF is designed to balance local autonomy with the need for national consistency, with

individual local authorities responsible for their own financial performance. In doing so, the LGAF establishes the governance, assurance, and oversight mechanisms through which MHCLG ensures local authorities use public funds with regularity, propriety and value for money – providing the structural foundations for robust counter-fraud controls across local government. MHCLG will explore options to provide greater clarity and understanding as to how the LGAF operates, including looking into how the Framework might be strengthened within while balancing local and national contexts.

MHCLG is establishing a new, independent statutory body, the Local Audit Office, in autumn 2026. MHCLG will set out early priorities and deliverables for the Local Audit Office, this will include the need to consider risks and management of counter-fraud issues within local audit. This will further improve the department’s monitoring and oversight of local counter-fraud issues.

Finally, MHCLG is working to explore how standard counter-fraud expectations could be more clearly articulated in grant agreements and related documents to support local authorities to maintain robust, well-governed approaches to countering fraud, bribery, and corruption. The department also recognises that local fraud risks extend beyond government grant funding (e.g. in relation to the collection of local taxes) and in line with recommendation 12b will work with local authorities to understand their capacity and capability to manage these risks.

**12b. The Commissioner recommends MHCLG should:** 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.

The Government **accepts** the Commissioner's recommendation.

MHCLG recognises the need for greater collaboration and collective action between local authorities and central government in our common goal of fighting fraud against the public purse, including the sharing of best practice. HM Treasury and the PSFA, in conjunction with MHCLG, will work with the Local Government Association (LGA) and other interested parties, such as the Chartered Institute of Public Finance and Accountancy (CIPFA), to better understand local authority

arrangements for fraud and error reporting, standards, and compliance, including identifying where capability gaps exist.

The Government also expects the Local Audit Office to consider evidence of local authorities' capability and capacity, including counter-fraud activity, as part of its responsibility to update the Code of Audit Practice<sup>23</sup> by 2029. The Code would require external audit to provide assurance on governance and financial management, including fraud risk.

### Recommendation 13: Other Government Departments (e.g. DCMS, DfE, DWP, HMRC, DfT)

**13a. The Commissioner recommends for 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 Government **accepts** the Commissioner's recommendation.

HMRC, DWP, DCMS, DfE and DfT are continuing their counter-fraud and recovery activity relating to Covid support schemes.

HMRC will continue its existing work and conclude live investigations as per its targeting policy. Further ongoing criminal investigation activity will be concluded within the criminal justice system. The PAFER Act will not apply to HMRC and its ability to recover overclaimed funding is subject to existing statutory time limits.

DCMS will also continue with activity to identify undetected fraud and error and pursue recovery where possible. DfE will pursue outstanding debts relating to traineeships and apprenticeships until the end of FY 2026-27, with accountability for apprenticeships and traineeships transferring to DWP in April 2026 through machinery of government changes. DfT will continue to pursue recovery of outstanding debt from bus operators, utilising BAU recovery routes and external debt agencies where required. Successful recovery of outstanding debt may be limited where relevant operators have been made insolvent. DWP continues to deliver a targeted programme of post event assurance and recovery activity across the Kickstart and Restart programmes respectively.

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<sup>23</sup> Available at <https://www.nao.org.uk/code-audit-practice/>

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This document can be downloaded from [www.gov.uk](http://www.gov.uk)

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