

INSIGHT

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency

Cabinet Office and HM Treasury

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National Audit Office

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency

Cabinet Office and HM Treasury

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

2 February 2024

Lessons learned reports

Our lessons learned reports bring together what we know on important recurring issues to make it easier for others to understand and apply the lessons from our work.

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Contents

Overview 4

Introduction 8

Lessons for the government

Lesson 1: Be clear on governance and rules 12

Lesson 2: Prioritise, but communicate that you will return to things you cannot cover immediately 16

Lesson 3: Embed the fraud risk management cycle 20

Lesson 4: Create a flexible counter-fraud capability 24

Lesson 5: Plan for the data you will need 28

Lesson 6: Increase transparency 32

Lesson 7: Plan how to buy in a seller's market 36

Appendix One

Our audit approach 40

Appendix Two

Reports reviewed 43

This report can be found on the National Audit Office website at www.nao.org.uk


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Overview

What is propriety?

Achieving propriety in public spending means meeting high standards of public conduct, including robust governance, and the relevant parliamentary expectations, especially transparency. This includes managing the risk of fraud and that the right amount of money reaches the right people and businesses.

Why does protecting propriety matter in an emergency?

Emergency spending to support individuals, families and businesses and to buy necessary equipment can carry a higher risk of fraud and impropriety.

Things may have to be done more quickly than usual. Inevitably, the government's response may not have been fully planned for and will be in addition to its usual responsibilities. The government will need to make difficult decisions, based on imperfect information, and it may not be possible to conduct processes such as full risk analysis or normal levels of due diligence. Fraudsters may target emergency spending believing there are greater opportunities to exploit initiatives that have been set up at pace. Accounting officers will need to make judgements about the trade-offs between speed, accuracy and risk.


But, while the government will need to take risks in an emergency, the fundamental principles of good governance and *Managing Public Money* will always apply. The impact of actual or perceived impropriety may persist for some time after an emergency, even if proven to be incorrect. This can undermine public trust in the government.

What can the government do to prepare for future emergency spending?

We have seen evidence of the government learning lessons from recent emergencies and improving its approach. However, there is more work to do to complete the analysis and bring it together into a single clear 'playbook' for all of government for how concerns around propriety would be managed in a future emergency.


We have identified seven high-level lessons where action can be taken now to prepare for future emergency spending. We believe that government departments can usefully develop a 'playbook' for how to manage propriety in a future crisis. We make recommendations for what might be in these playbooks and steps that can be taken now so that government bodies are better prepared to make emergency payments.

Seven lessons that the government should apply now to prepare for emergency spending

 **Lesson 1: Be clear on governance and rules**

To respond in an emergency, public bodies may need to streamline their usual decision-making and governance arrangements so that they can make faster decisions. They need to do so in ways that still allow for robust oversight, are within the normal public spending rules, and which delivery partners can understand. Bringing in the right experts early may help to make robust decisions at speed. We make the following recommendations.

- a HM Treasury should **publish, disseminate, and maintain the *Spending in a Crisis* guidance**.
- b Departments should **develop internal 'how to guides' ('playbooks') to aid future responses**, working with HM Treasury, the Cabinet Office and the Public Sector Fraud Authority (PSFA).
- c Departments should **include in the playbooks how they will keep delivery partners up to date on the relevant rules**.
- d Cabinet Office, working with HM Treasury and PSFA, should **continue to develop training on meeting public spending rules** in an emergency.

 **Lesson 2: Prioritise, but communicate that you will return to things you cannot cover immediately**

Accounting officers cannot forgo any of their responsibilities regarding propriety but need a framework within which to make difficult judgements on competing issues. This will require them to prioritise. Where the requirements of delivery mean a normal expectation cannot be fully met, accounting officers should signal how and when they will come back to meet that requirement. Likewise, departments should be clear with partners that they are prioritising but will return to the remaining issues later. We make the following recommendations.

- e HM Treasury should strengthen existing guidance to support accounting officers to use **accounting officer assessments to structure their thinking and record their judgements about the balance of priorities with respect to propriety**.
- f HM Treasury should strengthen existing guidance to **clarify that, where a ministerial direction is used, accounting officers should still use the accounting officer assessment process to set out how propriety will be managed**.
- g HM Treasury should strengthen existing guidance to encourage accounting officers, where they believe it is appropriate to take risks with propriety or proceed with incomplete information or process, but have not sought a ministerial direction, to **publish a summary of their accounting officer assessment**.
- h Departmental playbooks and training should stress the need for departments to **agree up front with delivery partners the principles by which fraud and propriety will be managed**, even if the full terms and conditions relating to issues such as inspection, monitoring, and clawback cannot be agreed before the scheme is launched.

 **Lesson 3: Embed the fraud risk management cycle**


It is crucial that the government sets a clear tone from the outset as to how the risk of fraud will be managed during a crisis. This can be achieved by setting out as part of the approval process a costed plan for how the fraud risk management cycle will be implemented. Where the government delegates delivery, mechanisms for managing fraud need to be built into agreements with delivery partners. We make the following recommendations.

- i HM Treasury should require business cases to include **a budget and high-level milestones for implementing the fraud risk management cycle**.
- j **Cabinet Office should update model contracts and grant agreements with standardised clauses** to embed the fraud risk management cycle, particularly to enable inspection, measurement of fraud, clawback, and reporting.
- k The PSFA and the Crown Commercial Service should **establish a framework contract to allow public bodies to draw in suitably qualified private sector expertise to support fraud measurement activities**.
- l The PSFA should **maintain a library of good practice controls** it can suggest to mitigate fraud risks.

 **Lesson 4: Create a flexible counter-fraud capability**

The government will need an effective centrally-coordinated counter-fraud capability that can be flexibly deployed at pace, prioritised according to risk, to a range of crises. The government recognises that it needs to improve its counter-fraud capability and approach to managing impropriety during emergency situations. We make the following recommendation.

- m The PSFA should **develop and test a plan** so that in an emergency it can provide: clarity over the key counter-fraud priorities; visibility over where people with the right skills are; strong bonds across the Government Counter Fraud Profession so that it can form effective new teams in an emergency; and influence over their deployment.

 **Lesson 5: Plan for the data you will need**


Effective management of fraud and impropriety risks associated with emergency payments requires the government to maintain and share key datasets. The government also needs to quickly establish what data it needs to measure fraud risks, check eligibility, verify payments, and support the recovery of improper payments at the outset of emergency responses. There can be insufficient time to collate or agree how these data can be shared during an emergency. We recommend the Cabinet Office's Central Digital and Data Office work with departments and the PSFA to extend the remit of the Essential Shared Data Assets plan to:

- n work out now **what current datasets might be needed in an emergency** to make payments and fight fraud;
- o **review the extent to which these datasets are readily shareable** within government; and
- p **consider what data sharing-arrangements could be set up now**.

 **Lesson 6: Increase transparency**

Transparency is an essential tool for preventing fraudulent or improper behaviour, while a lack of transparency may fuel public perceptions of impropriety even where decisions are fair. Emergency spending increases the need for transparency. Public bodies need to be ready to account for how they have made decisions over public spending to Parliament. Emergencies also require greater transparency over who has been the recipient of funding via grants and contracts. We recommend that Cabinet Office and HM Treasury should:

- q **embed into their guidance and training the expectations of how decisions on public spending are to be recorded** during an emergency to uphold accountability and emphasise the importance of prompt transparency during an emergency to staff;
- r seek to **automate transparency over spending** so publication requires little or no human involvement; and
- s adopt a **presumption of transparency** around the recipients of emergency payments.

 **Lesson 7: Plan how to buy in a seller's market**

During a crisis, the government may need to buy goods and services in a seller's market. Its commercial leverage will be reduced, and it may need to respond to a large number of offers from businesses that it would not normally deal with. It needs a clear playbook for buying from such a market with a plan for how to: triage potential leads; establish norms of transparency and accountability of the sellers; and document the management of actual or perceived conflicts of interest. We make the following recommendation.

- t The Government Commercial Function should **produce guidance for commercial staff, to sit alongside its outsourcing and construction playbooks, on how to buy in a seller's market**.

Introduction

What is propriety?

1 Propriety is one of the four fundamental standards that public spending should meet, along with regularity, value for money, and feasibility. Accounting officers, who are accountable to Parliament for spending, must scrutinise significant policy proposals against these standards. HM Treasury defines propriety as meeting high standards of public conduct, including robust governance and the relevant parliamentary expectations, especially transparency. This includes managing the risk of fraud and that the right amount of money reaches the right people and businesses.

Why does emergency spending increase the likelihood and perception of impropriety?

2 In an emergency, public bodies may need to react quickly to protect life, safeguard critical infrastructure, and support the economy. They will need to do so quickly, possibly without having a plan ready, and in addition to their usual responsibilities. They will need to make difficult decisions, based on imperfect information and involving trade-offs between speed, accuracy and risk. They may face challenges in terms of scale, the need for innovative approaches, and managing the increased demands on the organisation's workforce. Fraudsters may target emergency spending believing there are greater opportunities to exploit initiatives that have been set up at pace. All these factors can increase the risk of impropriety and irregular spending, including fraud and error.

3 While the government may necessarily take greater risks with public money, the fundamental principles of good governance and *Managing Public Money* will always apply. Parliament and the public expect the government to protect propriety, spending money in accordance with high standards of transparency and ethics.

4 The COVID-19 pandemic (the pandemic) saw a large increase in spending as the government sought to protect life and support the economy. The amount of fraud reported in the accounts we audit rose from £5.5 billion in the two years before the pandemic to £21.0 billion in the two years after – £7.3 billion of the £21 billion relates to temporary COVID-19 schemes, most of the rest relates to benefit fraud.

5 The impact of actual or perceived impropriety may persist for some time after the emergency. This is true even if perceived impropriety is subsequently proven to be incorrect. This can undermine public trust. Following the pandemic, the UK has fallen from 11th to 20th (out of 180) in the Transparency International survey of public and business perception of corruption.¹

How is the government learning from the pandemic?

6 There are a number of government organisations responsible for preparing for and responding to an emergency, including the Cabinet Office and central government departments. These bodies have already taken steps to learn lessons from the pandemic and other recent emergencies, including their approach to protecting propriety (**Figure 1** on page 11). In May 2021, the government announced that an independent public inquiry would be set up to examine the impact of the pandemic and the UK's response to learn lessons for the future.

The scope of this lessons learned report

7 In May 2021, we published a report on initial learning from the government's response to the pandemic.² This covered the lessons from our initial reports on the government's response to the pandemic under six themes: risk management; transparency and public trust; data and evidence; coordination and delivery models; supporting and protecting people; and financial and workforce pressures. We said we would refine that thinking as we developed our work.

8 This report focuses on protecting propriety in an emergency. We do not look at wider aspects of responding to an emergency. We draw on lessons from our work and what the government has already done to identify lessons itself. The report does not seek to repeat our previous audit findings to assess how well the government managed recent emergencies. Instead, it sets out lessons and recommendations for how the government can go further to improve its approach for protecting propriety in future emergencies.

¹ Transparency International Corruption Perceptions Index, accessed on 1 February 2024. Available at: www.transparency.org/en/cpi/2023

² Comptroller and Auditor General, *Initial learning from the government's response to the COVID-19 pandemic*, Session 2021-22, HC 66, May 2021.

9 We reached our conclusions following our analysis of evidence collected primarily between August 2023 and November 2023. Our audit approach is set out in Appendix One. As part of this fieldwork we:

- reviewed more than 60 reports published by the National Audit Office and the Committee of Public Accounts (PAC). Most of these were on the pandemic response, but we also looked at our reports on other emergencies (Appendix Two);
- examined the government's progress against our recommendations and its response to PAC's reports;
- interviewed officials from 18 departments that played a role in the response to recent emergency situations and reviewed lessons learned documents where provided by departments; and
- held cross-government workshops to provide challenge for our findings.

10 The following pages (pages 12 to 38) set out our recommendations from this work across seven lessons.

Figure 1

How the government is learning lessons on how to protect propriety in emergency spending

The government is revising its guidance so that protecting propriety features in its emergency planning

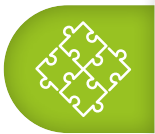
Organisation	Role or function	Lesson learning activity
Central government departments	Responsible for the response to an emergency depending on the type and stage of emergency.	Government departments are undertaking individual lessons learned exercises. These lessons learned activities vary in scope and detail. The focus is often not explicitly on how to protect propriety, but some findings are directly relevant.
Public Sector Fraud Authority (PSFA)	Set up in 2022 to work with departments and public bodies to understand and reduce the impact of fraud.	The existence of the PSFA is in itself a response to fraud and impropriety during the pandemic. The PSFA brings together expertise to support the government and help modernise its fraud and error response. PSFA now leads the Government Counter Fraud Function and Profession. The PSFA has conducted an internal lessons learned exercise on managing fraud during the COVID-19 pandemic.
The Boardman review into pandemic procurement (Cabinet Office)	Nigel Boardman, a non-executive board member of the then Department for Business, Energy & Industrial Strategy, was asked to review government procurement activity during the response to the COVID-19 pandemic.	The Cabinet Office accepted the 28 recommendations from the Boardman review covering Cabinet Office’s procurement processes and the way the government manages actual and perceived conflicts of interest. This includes revising existing policy and guidance which will be applicable to all central government bodies.
Cabinet Office Briefing Rooms (COBR) Unit	Leads the government’s response to acute emergencies, domestic and international, malicious and non-malicious, and drives further professionalisation of emergency management in government.	Updating the Central Government Concept of Operations (‘ConOps’). The ConOps sets out arrangements for responding to and recovering from emergencies that require co-ordinated central government action. The update sets out the expectations for how emergency spending is managed including the role of accounting officers. Delivering the Crisis Management Excellence Programme. Cabinet Office is delivering targeted training to top crisis leaders so that they are prepared for future emergencies. This includes a short module on spending public money in a crisis.
Resilience Directorate (Cabinet Office)	Plays a strategic role in national resilience and leads work across government to strengthen it.	Updating the Lead Government Department (LGD) guidance and best practice. Departments designated LGDs are responsible for leading work to identify serious risks and emergency planning, response and recovery. The Cabinet Office Resilience Directorate is updating LGD guidance and expects to publish this in Summer 2024.
Treasury Officer of Accounts (HM Treasury)	The team act as advisers to the Treasury and other government departments to ensure they act in ways which are consistent with <i>Managing Public Money</i> and the accounting officer standards.	Following the Boardman review, HM Treasury produced internal guidance based on learning from the decisions and actions taken regarding spending controls in response to the COVID-19 pandemic. Propriety features throughout the guidance. For example, it reiterates that the usual spending control framework operates in an emergency unless temporary flexibilities have been agreed.
UK COVID-19 Inquiry	The Inquiry will examine, consider and report on preparations and response to the pandemic and identify lessons to inform preparations for future pandemics.	The Inquiry will examine several areas that our work shows are of relevance to protecting propriety. These include how decisions were made, communicated, recorded, implemented; and legislative and regulatory control and enforcement.

Note

1 Selected lessons learned work shown. Does not include all changes to the government’s emergency preparedness structure.

Source: National Audit Office analysis of published documents and interviews with central government officials

Lessons for the government



Lesson 1: Be clear on governance and rules

To respond in an emergency, public bodies may need to streamline their usual decision-making and governance arrangements so that they can make faster decisions. They need to do so in ways that still allow for robust oversight, are within the normal public spending rules, and which delivery partners can understand. Bringing in the right experts early may help to make robust decisions at speed.

What are the challenges?

11 In an emergency, public bodies may need to make decisions at pace. They may need to work in ways different than business-as-usual and set up new delivery bodies or schemes to support the response. While the general expectation that the principles of good governance and established spending controls continue to apply, departments may choose to streamline internal approval and decision processes to allow them to respond more quickly. However, such governance arrangements can take time to be formalised and documented, or continue as informal arrangements, increasing the risk of confusion and unclear accountability.

12 Streamlined governance arrangements may include greater delegation of decision-making so decisions can be made faster. However, it is not possible to hand-off the accountability or fully transfer the risks around either delivery or propriety, so the governance arrangements will require appropriate reporting and oversight. It is also important to identify appropriate stakeholders and expertise, such as corporate expertise on grant management and fraud risk.

13 Emergency responses can be hindered if the guidance that public bodies use to coordinate with stakeholders is not clear and consistently communicated. Public bodies may also find that they have to frequently change guidance as they learn more about the emergency or their response. Changes that come at short notice present the risk that frontline staff and partners are not notified in a timely way, leading to an ineffective or inconsistent government response.

What progress has the government made recently?

14 Early in the pandemic, HM Treasury wrote to departments to remind them of the spending rules, while increasing delegation levels (the amounts they could spend without requiring HM Treasury approval for specific transactions) and varying arrangements for how high-value spending was to be approved, so departments could make quicker decisions. This provided clarity on what they were allowed to do. In response to the Boardman review, HM Treasury drew on its pandemic experience to produce a playbook for *Spending in a Crisis*, which sets out how it can use temporary flexibilities to the spending framework to support future emergency responses (**Figure 2** overleaf).

15 The Cabinet Office has also sought to improve training on how to make decisions in a crisis. Its Crisis Management Excellence Programme aims to deliver targeted training – including on protecting propriety – to senior decision-makers so that they are prepared for future emergencies. The programme aims to provide training to every permanent secretary and director-general in the civil service.

What do we recommend the government do to go further?

16 We recommend that HM Treasury:

a **publish, disseminate and maintain the *Spending in a Crisis* guidance** it produced in response to the Boardman review.

17 We recommend that departments, working with HM Treasury, Cabinet Office and the Public Sector Fraud Authority (PSFA):

b **each develop internal ‘how to guides’ (‘playbooks’) to aid future responses.** These need to cover how governance can be streamlined when needed, how to bring in and use the right additional expertise, and what additional delegations are needed and how these will be managed. Consideration should also be given to how the regularity of spending will be monitored and reported. Where departments have already prepared such guides, we recommend they share and continue to improve them.

c **include in the playbooks how they will keep delivery partners up to date on the relevant rules.** The government’s delivery partners, including companies, charities and local authorities, will often need to plan and develop their capabilities to deliver new schemes. It is important that departments set out emergency scheme rules as soon as possible to support this. Where elements still need to be developed, it should be clearly communicated to delivery partners that they will be returned to. When changes to scheme rules are required, give them as much notice as possible.

18 We recommend that the Cabinet Office working with HM Treasury and the PSFA:

d **continue to develop training on meeting public spending rules in an emergency,** building on the short module on public spending rules in the Crisis Management Excellence Programme and desktop exercises.

14 Lessons for the government

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency

Figure 2

Examples of streamlining governance arrangements during an emergency and training

In response to recent crises, the government has taken steps to enhance its ability to streamline and implement governance processes in an emergency

HM Treasury's changes to the spending framework during the COVID-19 pandemic (the pandemic)

During the pandemic, HM Treasury made changes to the spending framework to expedite the government's response. HM Treasury:

- provided accounting officers with pre-approval for certain expenditure below £10 million and sought to expedite approvals for expenditure which required it;
- increased certain departments' delegated spending authority limits, for example for the procurement of personal protective equipment (PPE); and
- increased the Contingencies Fund to allow additional funding to be advanced to government departments.

Commercial controls for purchase of PPE during the pandemic

In addition to departmental spending controls, the Cabinet Office has a commercial spending control for all government contracts worth £10 million or more. For all such high-value procurements, including pandemic related ones, it examines how and why the goods, services, or works were procured from a commercial perspective before giving its approval for the spending. However, because of the pace of the market decisions required and the seniority of the staff working on PPE, that control was suspended. Instead, the Department of Health & Social Care and the Cabinet Office put in place a clearance board to approve PPE contracts of more than £5 million. The Cabinet Office also required departments to submit regular returns on COVID-19 related procurements and payments over £1 million, to monitor changes to departments' procurement practices in response to the pandemic.

The Crisis Management Excellence Programme

The Cabinet Office Briefing Rooms (COBR) Unit is delivering training to all top crisis leaders in government, effectively all permanent secretaries and directors-general in the civil service. This day-long training, in small groups of around 10 participants, includes 20- to 30-minute sessions on the role of COBR, protecting the wellbeing of staff, local response, emergency communications and spending controls. Participants also complete a case study, drawn from an actual example during the pandemic response. The COBR Unit plans to develop similar training for directors and gold commanders in 2024.

Source: Review of published National Audit Office reports and unpublished HM Treasury report

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency



Lesson 2: Prioritise, but communicate that you will return to things you cannot cover immediately

Accounting officers (AOs) cannot forgo any of their responsibilities regarding propriety but need a framework within which to make difficult judgements on competing issues. This will require them to prioritise. Where the requirements of delivery mean a normal expectation cannot be fully met, AOs should signal how and when they will come back to meet that requirement. Likewise, departments should be clear with partners that they are prioritising but will return to the remaining issues later.

What are the challenges?

19 Propriety is concerned with meeting high standards of public conduct and parliamentary expectations, none of which can be dispensed with in an emergency. Officials we spoke to for this report told us that, during an emergency, it can be difficult to find the right balance between prioritising speed of response and the normal actions associated with protecting propriety. They challenged us to suggest ways to streamline the requirements. However, in all the scenarios we examined, we found that all the basic elements of protecting propriety can be done to at least some extent, but the best balance of these requirements in an emergency is a judgement.

20 The government faces the challenge of ensuring that ‘perfection does not become the enemy of the good’ in ways that harm the intended response. For example, it will not always be possible to complete a full fraud risk assessment or to carry out full due diligence before acting. But a quick assessment based on incomplete information can still have value during the scheme design stage and can be updated later.

21 AOs are responsible to Parliament for how their organisations uses taxpayers’ funds and need to make difficult judgements about the right balance to strike on a case-by-case basis. They need processes to help them structure and document the reasoning behind these key judgements. This should include setting out the constraints that drove crucial decisions and how they will come back to meet requirements that have been deprioritised. Where risks on propriety are being taken, it is important for the AO to be transparent to Parliament about how they are exercising their duties.

22 Although early prioritisation may be necessary, it can make it harder to protect propriety later on. Officials told us that goodwill between the government and partners is strongest near the start of a crisis. Public bodies can use this to seek early buy-in for the intended approach to managing propriety, even if it cannot be implemented immediately. Public bodies should make it clear to commercial and delivery partners at the start of an emergency that they will come back to enhance controls that have been deprioritised.

What progress has the government made recently?

23 HM Treasury has recently updated its AO assessment guidance. These changes seek to clarify that the assessment summary should clearly stipulate the reason for the assessment and include the date when the assessment was performed. The new guidance requires the assessment to cover the risk of fraud as part of the assessment of propriety, and HM Treasury has committed to update this to encourage consultation with the Public Sector Fraud Authority. HM Treasury has also reiterated its guidance to AOs that they should be transparent and, where confidentiality is in the public interest, should consider sharing the information privately with Parliament.³

What do we recommend the government do to go further?

24 AO assessments provide a means by which an AO can set out their consideration of the propriety of spending decisions and how propriety will be managed (**Figure 3** overleaf). Such assessments could also provide the mechanism to record the key judgements around trade-offs and accountability for the decisions on how propriety will be managed on an ongoing basis. We recommend that HM Treasury should strengthen existing guidance to:

- e support AOs to use AO assessments to structure their thinking and record judgements about the balance of priorities with respect to propriety.** This should include consideration of the limitations around decisions, such as limited information, time, or resources to conduct normal processes. AO assessments can be done at a programme level where individual spending decisions are delegated.
- f clarify that, where a ministerial direction is used, AOs should still use the AO assessment process to set out how propriety will be managed.** Where an AO cannot fully meet their responsibilities regarding propriety, they need to request a ministerial direction. However, they should still use the AO assessment to set out how propriety will be managed within the bounds of the direction, and the plan to bring ongoing expenditure into alignment with their AO duties.
- g encourage, where AOs believe it is appropriate to take risks with propriety or proceed with incomplete information or process, but have not sought a ministerial direction, to publish a summary of their AO assessment** setting out the risks and how they intend to manage them. Where a summary AO assessment cannot be published, the AO might instead write to the Chair of the Committee of Public Accounts.

25 We recommend that departments:

- h stress the need to agree upfront with delivery partners the principles by which fraud and propriety will be managed in departmental playbooks and training (recommendations b and d),** even if the full terms and conditions relating to issues such as inspection, monitoring, and clawback cannot be agreed before the scheme is launched.

³ HM Treasury, *Dear Accounting Officer 01/24*, 16 January 2024. Accessed on 24 January 2024.

Figure 3

Accounting officer standards and assessments, and ministerial directions

Under normal or emergency conditions, accounting officers (AOs) are expected to clearly document their analysis of whether a significant policy decision is in line with the required standards

Accounting officer standards

HM Treasury's guidance, *Managing Public Money*, sets out that AOs must satisfy themselves that significant policy or spending proposals meet the four standards of propriety, regularity, value for money and feasibility.

Accounting officer assessments

An AO assessment is a systematic written assessment of whether a significant policy or spending proposal meets the four AO standards set out in *Managing Public Money*. HM Treasury encourages AOs to publish a summary of the AO assessment where the project is large (especially those in the Government Major Projects Portfolio) or contentious. AO assessments could also be used to record the key judgements around trade-offs and to provide accountability for the decisions on how propriety will be managed on an ongoing basis. However, in our experience AO assessments have not formed as central a part of the accountability process as they might. In our review of AO assessments for major programmes we concluded that AOs and their organisations recognise the value of the AO assessment process to support their decision-making and to decide when they need a ministerial direction. However, we could not be sure they were completed in line with HM Treasury's requirements and therefore that their purpose as a decision-making tool had been realised. We also found the government could not produce a full list of AO assessments carried out during the COVID-19 pandemic.¹

Ministerial directions to accounting officers

Where a government minister seeks a course of action that the AO cannot reconcile with the four standards, the AO should seek a formal written instruction from the minister to proceed ('ministerial direction').

In May 2020, we reported that ministerial directions had been sought in relation to the government's response to the COVID-19 pandemic because it had not been possible to complete a full appraisal of the value for money of some schemes and to enable departments to exceed Departmental Expenditure Limits authorised by Parliament.²

Notes

- 1 Comptroller and Auditor General, *Accounting officer assessments: improving decision-making and transparency over government's major programmes*, Session 2022-23, HC 65, National Audit Office, July 2022.
- 2 Comptroller and Auditor General, *Overview of the UK government's response to the COVID-19 pandemic*, Session 2019-2021, HC 366, National Audit Office, May 2020.

Source: Review of published National Audit Office reports and guidance published by the government

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency



Lesson 3: Embed the fraud risk management cycle

It is crucial that the government sets a clear tone from the outset as to how the risk of fraud will be managed during a crisis. This can be achieved by setting out as part of the approval process a costed plan for how the fraud risk management cycle will be implemented. Where the government delegates delivery, mechanisms for managing fraud need to be built into agreements with delivery partners.

What are the challenges?

26 It is generally accepted good practice that fraud should be managed through a fraud risk management cycle, whereby risks are identified, mitigations and controls put in place, the success of those controls and mitigations tested and reported, and root cause analysis used to amend the strategy and improve the system (**Figure 4** on page 22). Emergency spending has a heightened risk of fraud and impropriety, which can be managed by using this fraud risk management cycle. However, there are a number of challenges to embedding the cycle and getting it right during an emergency.

- Fraud risk assessments done at pace may be insufficient or ineffectively acted upon, leading to risks being identified later. Officials told us that, under emergency conditions, risk assessments can be seen as a one-off requirement that do not lead to follow-up work.
- If there is insufficient focus on controls and mitigations, some foreseeable and preventable risks may be left open, leaving the taxpayer vulnerable.
- Insufficient emphasis at the start of a scheme that the government will follow-up and clawback misallocated funds creates a weak deterrent against abuse.
- Control testing and inspection may focus solely on providing assurance that controls are working as intended, instead of identifying and preventing issues that otherwise would be unknown.
- Public bodies may devolve delivery to others. There must be clarity as to who is responsible for managing fraud risks and how oversight and reporting arrangements will operate.
- Effective measurement and reporting regimes may be difficult to set up at pace, for example, where a public body needs additional powers or access to data to support measurement which it does not normally have.
- Public bodies may find it challenging to resource counter-fraud work if specific activity is not considered or budgeted for as part of the scheme approval.
- Where schemes are temporary, there may not be a focus on effectively working through all stages of the fraud risk management cycle, including iterating the scheme to respond to intelligence and mitigate fraud risks.

What progress has the government made recently?

27 We have seen a general increase in the focus on managing fraud across government since 2020. In 2022, the government launched the Public Sector Fraud Authority (PSFA) to act as its centre of expertise for the management of fraud against the public sector. The PSFA leads on developing the Counter Fraud Profession and Counter Fraud Function and is working with departments to understand their fraud risks and improve their counter-fraud capability. Managing fraud also forms part of general risk management. The Government Risk Function has recently: published additional guidance on portfolio risk management; developed toolkits on risk culture and risk scenario planning; and launched additional risk training for non-specialists.

28 In 2022, HM Treasury updated *Managing Public Money* and made initial fraud impact assessments mandatory for all major new schemes, with the aim of ensuring that fraud risk is considered early. The then Department for Business, Energy & Industrial Strategy piloted these new arrangements by working closely with the PSFA to develop the Energy Bills Support Schemes in 2022, developing the initial fraud impact assessments into a full risk assessment and plan to mitigate those risks.

What do we recommend the government do to go further?

29 The government now needs to fully embed the fraud risk management cycle into its practices, giving greater attention to measurement and follow-up activities within the cycle to ensure that these are done. The cycle is useful for managing fraud in both normal practice and during an emergency. The challenge during an emergency is to iterate the cycle quickly enough to embed continuous learning in a temporary scheme. Where the initial fraud impact assessment indicates a risk of fraud, we recommend that HM Treasury:

i **require that business cases include a budget and high-level milestones for implementing the fraud risk management cycle.** High-level milestones might include, for example, the month an inspection regime might be in place.

30 We recommend that the Cabinet Office:

j **update model contracts and grant agreements with standardised clauses** that embed the fraud risk management cycle, particularly to enable inspection, measurement of fraud, clawback, and reporting.

31 We recommend that the PSFA:

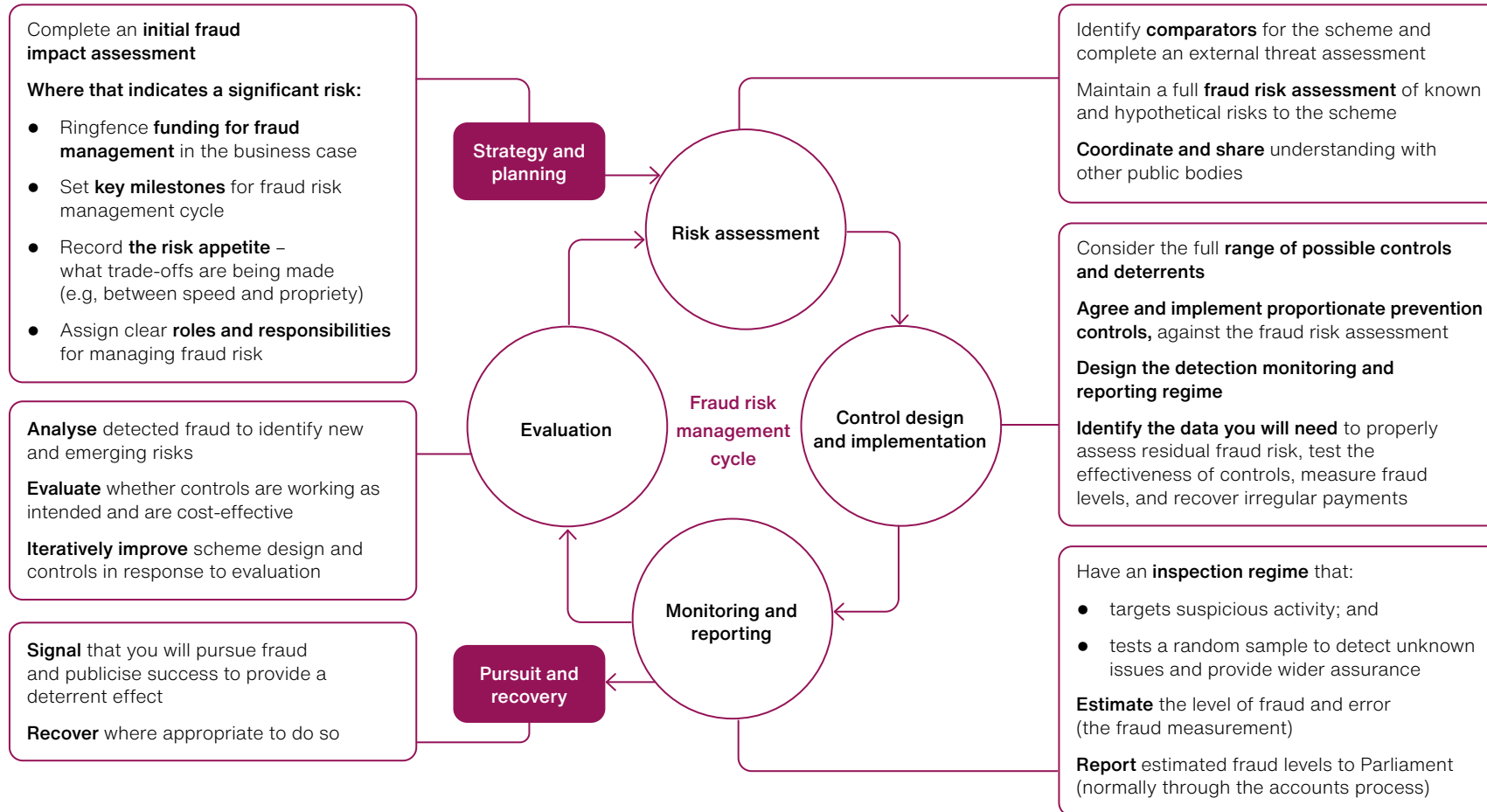
k **work with the Crown Commercial Service to establish a framework contract to allow public bodies to draw in suitably qualified private sector expertise to support fraud measurement.** PSFA should use this to maintain a market for fraud and error measurement and to embed common standards compatible with reporting requirements and proper use of the fraud risk management cycle.

l **Maintain a library of good practice controls it can suggest to mitigate fraud risks.** For example, the PSFA's lessons exercise identified that staged payments could limit exposure where payee eligibility has not yet been verified.

Figure 4

The fraud risk management cycle for detecting and preventing fraud in public spending

There is a broad consensus amongst fraud experts that you should take a cyclical approach to managing fraud over the lifetime of a scheme



Note

1 We have seen fraud risk management cycles used across government. These are consistent in setting out the need for risk assessment, design of mitigating controls, monitoring and evaluation. There is also some international acceptance that the fraud risk management cycle represents good practice in the prevention, detection and recovery of fraudulent payments. In March 2023, the U.S. Government Accountability Office published a framework for managing improper payments in emergency assistance programs which set out a similar approach to fraud risk management. Our version of the cycle here is designed to capture recent innovations such as the initial fraud impact assessment and show how they fit the cycle.

Source: National Audit Office (NAO) analysis of published NAO reports, Government Counter Fraud Function documents, reports by the U.S. Government Accountability Office and discussion with officials at the Public Sector Fraud Authority

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency



Lesson 4: Create a flexible counter-fraud capability

The government will need an effective centrally coordinated counter-fraud capability that can be flexibly deployed at pace, prioritised according to risk, to a range of crises. The government recognises that it needs to improve its counter-fraud capability and approach to managing impropriety during emergency situations.

What are the challenges?

32 The government cannot know what the next emergency will be and how it will need to respond. But it is likely that there will be increased demand from across government for certain core capabilities, including counter-fraud skills.

33 The government's existing counter-fraud expertise is in short supply and focused in the departments that have the highest levels of fraud under normal conditions. Effectively deploying this limited resource in an emergency requires the government to have a good assessment of fraud risk and also a detailed assessment of its existing capabilities. This has only been achieved in limited places for routine operations. For example, the Public Sector Fraud Authority (PSFA) believes that 27% of government bodies either have no counter-fraud resources or resources that are clearly mismatched with their fraud risk, and a further 60% of bodies show signs of a potential mismatch.

34 The government currently has limited flexibility to move counter-fraud staff. In an emergency, departments without mature counter-fraud teams may have to rely on external consultants or secondees from other organisations to provide the expertise they need. But only the largest departments have the ability to second out staff to support other public bodies. A small number of public bodies may be able to move counter-fraud staff around internally to work on emergency schemes, but this may reduce their normal compliance work.

What progress has the government made recently?

35 In 2020-21, the Cabinet Office developed a global fraud risk assessment covering the key COVID-19 pandemic response schemes. It told us that this helped them to have some limited influence over the deployment of counter-fraud resources across government, including to support the schemes selected for review by its Fraud Measurement and Assurance programme.

36 In 2022, the government established the PSFA to improve its approach to managing fraud, which includes building on the existing Government Counter Fraud Function and Counter Fraud Profession. The PSFA has worked with departments to map their counter-fraud capability and set higher professional standards.

What do we recommend the government do to go further?

37 Officials from across departments told us they would have benefited from more effective cross-government coordination to help them tap into existing counter-fraud expertise during the pandemic.

38 The government functions provide a means to develop general capability, but there will need to be strong central coordination of how and where these resources are best deployed in an emergency. The PSFA will need to encourage networking and cohesion within the profession, so that teams can come together quickly to tackle an emergency. We recommend that:

- m** the PSFA develop and test a plan so that in an emergency it has the following.
- **Clarity over the key counter-fraud priorities.** This should build on the experience of providing the global fraud risk assessment during the COVID-19 pandemic and provide clarity on where the resources are needed. This should take account of both the likely return on investment from deploying people to that area, and the opportunity cost of not retaining them where they are.
 - **Visibility over where people with the right skills are.** The PSFA should develop a more comprehensive map of counter-fraud talent within government, including where it exists outside of the profession. The PSFA should facilitate better networking within the profession.
 - **Strong bonds across the Government Counter Fraud Profession so that it can form effective new teams in an emergency.** It is helpful if teams have worked together before they have to do so in an emergency. Such a model could vary from a network of people that the PSFA draws upon across departments (such as currently used for project reviews), a central surge team (such as the Commercial Function's complex transactions team), or centralised employment (such as the Government Commercial Organisation) (**Figure 5** overleaf).
 - **Influence over their deployment.** The PSFA should continue to develop its global assessment of fraud risks within government to enable it to better target the deployment of existing talent across government in emergencies.

Figure 5

Ways of developing cross-functional networks

The government has demonstrated a number of different approaches to deploying expertise across departmental boundaries

The Infrastructure and Projects Authority (IPA) manages a pool of experts

The IPA arranges and manages independent reviews of the government's most complex and high-risk projects. These reviews are carried out by a pool of independent accredited reviewers drawn from both the civil service and industry. Anyone from the civil service can apply to be a reviewer. In 2022-23, the IPA had around 1,200 expert reviewers in active service. The IPA gathers granular skills profiles for these reviewers and matches them to project reviews based on their specific skills.

The Government Commercial Function demonstrated flexible redeployment of staff to support emergency procurement

The Government Commercial Function helped support the Department of Health & Social Care to establish a cross-government team of around 450 commercial staff to rapidly assess and process offers of support from thousands of potential medical suppliers. The team drew on expertise from the Department of Health & Social Care, NHS England, the then NHS Improvement, the Cabinet Office, the Ministry of Defence, and the Department for Education.

The Commercial Function Complex Transactions team saved £1.2 billion in 2020-21 by supporting departments

The Government Commercial Function has a Complex Transactions team that helps to generate efficiency savings by providing specialist commercial expertise directly to departments. The Cabinet Office reports that this team generated £1.2 billion of efficiency savings in 2020-21 as a result of reduced product and services costs.¹ The team achieved this by changing the approach to procurement and category management and improving contractual terms.

Note

1 The Cabinet Office reported that all these savings had been assured for accuracy and robustness by the Government Internal Audit Agency.

Source: Review of published reports by the National Audit Office and the Infrastructure and Projects Authority

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency



Lesson 5: Plan for the data you will need

Effective management of fraud and impropriety risks associated with emergency payments requires the government to maintain and share key datasets. The government also needs to quickly establish what data it needs to measure fraud risks, check eligibility, verify payments, and support the recovery of improper payments at the outset of emergency responses. There can be insufficient time to collate or agree how these data can be shared during an emergency.

What are the challenges?

39 Departments need the right data to effectively tackle the fraud and impropriety risks of their emergency responses. For example, schemes can be less open to abuse where the eligibility of recipients can be verified using existing datasets. The government has also had some success in stopping and recovering fraudulent payments using data-matching and analytical techniques. In 2022-23 the Public Sector Fraud Authority (PSFA) reported £311 million of savings from using data analytics and data-matching.⁴

40 The government does not always have the data it needs to verify or automate payments or to detect fraud and error. The government has time-lagged data on individuals' and businesses' income through the tax system, but limited information on households and household income. Confidence in some key datasets, such as Companies House data, has been undermined by errors and fake entries.⁵ Some public bodies do not have sufficient data about the sectors of society they support, resulting in schemes that are poorly targeted or difficult to administer, in turn leading to fraud and error. Some schemes may rely on third parties and do not always clearly define the data they need, making it challenging to detect and recover fraud and error.

41 Officials told us that they struggled to access the data that they needed that existed elsewhere in government to support emergency responses. The recent pandemic demonstrated that agreeing data sharing under the Digital Economy Act 2017 can be cumbersome and take too much time to be practical in an emergency.

42 Improving data and interoperability is a systemic challenge for government. Public bodies have different approaches to data governance and data is dispersed across central and local government bodies. Different software and hardware may be used, and the same information recorded in different ways. In 2019, we recommended that government “identify datasets that are critical to government functions, look at how to share them easily and examine how they can be enhanced by process improvement and automation”.⁶

⁴ Public Sector Fraud Authority, *Annual Report 2022-23*, November 2023.

⁵ Committee of Public Accounts, *Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021-22*, Forty-fifth report of Session 2022-23, HC 1254, March 2023.

⁶ Comptroller and Auditor General, *Challenges in using data across government*, Session 2017-2019, HC 2220, National Audit Office, June 2019.

What progress has the government made recently?

43 The government has sought to clarify that data can be shared. The Information Commissioner's Office data-sharing code of practice provides guidance to support public bodies sharing data in emergencies.⁷ It states that data protection law is not a barrier to sharing data where appropriate and recommends planning for the data, and agreements, that may be needed in advance. The PSFA has established a team to help departments share data for the purpose of fighting fraud using the Digital Economy Act 2017 (**Figure 6** overleaf).

44 The government is also seeking to identify its key datasets. In 2021, the Cabinet Office set up a National Situation Centre to provide real-time access to the data the government needs to respond to emergencies. In November 2023, the Cabinet Office's Central Digital and Data Office (CDDO) launched an initiative to identify 'essential shared data assets'. It views this as an important step in its roadmap for improving the quality and use of data.⁸

What do we recommend the government do to go further?

45 Regardless of the nature of future emergencies, it is likely that data on businesses, vulnerable individuals, charities and households will be needed to make support payments, and data sharing will be needed to verify payments and support the recovery of fraud. We recommend the CDDO work with departments and the PSFA to extend the remit of the essential shared data assets plan to:

- n** **Work out now what current datasets might be needed in an emergency to make payments and fight fraud.** This should include current datasets that are not shared in normal times but would become critical datasets in an emergency.
- o** **Review the extent to which these datasets are accessible and readily shareable within government.** As part of the general maintenance and development of these datasets, improve their ability to be shared and made use of at pace in an emergency.
- p** **Consider what data-sharing arrangements could be set up now.** In an emergency, public bodies may not have time to agree data-sharing protocols.

⁷ Information Commissioner's Office, *Data Sharing: a code of practice*, 17 October 2022, Version 1.0.31, accessed on 22 January 2024.

⁸ Central Digital and Data Office, *Essential Shared Data Assets Policy*, December 2023, accessed on 22 January 2024.

Figure 6

Using and sharing data in emergencies to protect propriety

Public bodies in the UK and abroad are increasingly using data and data sharing to detect and prevent fraud in emergency spending

Case study: The Public Sector Fraud Authority has piloted data sharing under the Digital Economy Act 2017

The Digital Economy Act 2017 contains debt and fraud powers that allow specific public authorities to disclose information for the purpose of managing and reducing debt owed to a public authority or to the Crown and combating fraud against the public sector. These powers are currently under review.

The Public Sector Fraud Authority (PSFA) works with departments and public bodies to use these powers to pilot new data shares to detect and prevent fraud and better recover debt. The PSFA reports that it saved £311 million in 2022-23 combating fraud and recovering debt, most of which depended on the use of data analytics and data sharing. Within this, examples of where the Digital Economy Act 2017 has been used include an analytics pilot to identify £99.5 million of fraud in COVID-19 schemes and a pilot by the Education & Skills Funding Agency that prevented £11.1 million in funding being paid.

Case study: The then Department for Business, Energy & Industrial Strategy (BEIS) used automated payments to minimise fraud and error in the Energy Bills Support Schemes

In designing the Energy Bills Support Schemes, BEIS sought to learn lessons from its experience during the pandemic by making the eligibility almost universal and by making payments automatic.

Most eligible households received a discount automatically through their energy supplier, rather than having to apply. This avoided the risk of fraudsters using false identities to apply. However, automated payments rely on having sufficient data on who you wish to make payments to.

Case study: The National Situation Centre

The National Situation Centre (SitCen) was established to bring data, analysis and insight together, boosting the government's ability to identify, monitor and manage risks. The centre is run by the National Security Secretariat, part of the Cabinet Office. The Cabinet Office told us that SitCen now provides routine reporting on nearly 200 key performance indicators, in addition to curated open source intelligence, on its Data, Analysis and Situational Awareness hub. This is available to users across government. SitCen is tasked with preparing for all 118 risks in the UK's National Security Risk Assessment through its crisis data strategy. It said it had acquired data for two-thirds of National Security Risk Assessment risks and mapped over 600 crisis-related datasets on its interactive crisis data mapping and management tool.

Source: The case studies on the Public Sector Fraud Authority (PSFA) and Department for Business, Energy & Industrial Strategy are based on our review of reports published by the National Audit Office, the Committee of Public Accounts, and the PSFA. The case study on the National Situation Centre is based what we were told by Cabinet Office and we have not independently verified it

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency



Lesson 6: Increase transparency

Transparency is an essential tool for preventing fraudulent or improper behaviour, while a lack of transparency may fuel public perceptions of impropriety even where decisions are fair. Emergency spending increases the need for transparency. Public bodies need to be ready to account for how they have made decisions over public spending to Parliament. Emergencies also require greater transparency over who has been the recipient of funding via grants and contracts.

What are the challenges?

46 During an emergency, Parliament and the public are likely to be acutely interested in how money is being spent at a time when decision-making is at its most pressurised. They will expect to know where grants have been provided and contracts awarded to demonstrate that public money is being spent where most needed. At the same time, there's a heightened need for the government to be transparent to demonstrate expected good practice has been followed, good decision-making at pace and that propriety has been fully considered. For example, adequate documentation is required to support the additional disclosure required by the use of emergency procurement rules, the fair choice of suppliers and how any potential conflicts of interest have been identified and managed.

47 Public bodies may find it challenging to prioritise record keeping against competing pressures and to produce a clear audit trail of their decision-making without a plan for doing so. This is especially the case where normal governance arrangements have been streamlined so that normal practices, such as ministerial submissions, minutes of committees, and other record-keeping practices are not being used to capture the key decisions in the normal way. For example, our work on the COVID-19 ventilator programme showed sufficient documentation is possible at speed (**Figure 7** on page 34). The team prepared for accountability despite a pressured timetable, by establishing a clear decision-making process and recording key decisions properly.

48 Transparency over who has received emergency spending may act as a deterrent to people taking money they do not need. The Committee of Public Accounts has recommended 'a presumption of transparency' around the business recipients of government support.⁹ The government rejected a general presumption, citing a reluctance to publish information about grant recipients due to privacy considerations.

49 Publishing information can seem a distraction when acting in an emergency. It can take time to review and then publish documentation manually, when resources are focused on operational delivery. To tackle these perverse incentives against transparency, the government needs lean and preferably automated systems that promote easy publication.

⁹ Committee of Public Accounts, *Fraud and Error*, Ninth Report of Session 2021-22, HC 253, June 2021.

What progress has the government made recently?

50 We saw transparency lead to businesses returning public funds they did not need. For example, following a recommendation we made in October 2020, HM Revenue & Customs (HMRC) published a list of those employers who claimed employment support as part of a commitment to transparency and to help deter fraudulent claims. It also enabled employees to check where their employer had received furlough payments on their behalf through their personal tax accounts. This acted as a prompt so people could report where their employer had received payment for furlough, but they had continued to work (Figure 7).

51 The Procurement Act 2023 introduces a legal requirement for enhanced transparency requirements throughout the commercial lifecycle, including the publication of notices to justify where contracts have been awarded directly to suppliers. The Act also includes new powers to enable the secretary of state to trigger an emergency, during which direct awards may be made with a streamlined disclosure requirement around the rationale for using such an award.

What do we recommend the government do to go further?

52 The government now needs to implement the Procurement Act 2023, be clear about how it will deal with non-compliance and apply this consistently. We recommend that the Cabinet Office and HM Treasury:

- q embed into their guidance and training the expectations of how decisions on public spending are to be recorded** during an emergency to uphold accountability. Use this to emphasise to staff the importance of maintaining transparency during an emergency.
- r seek to automate transparency over spending so publication requires little or no human involvement**, building on current plans on contract awards following the Procurement Act 2023.
- s adopt a presumption of transparency around the recipients of emergency payments** to act as a deterrent to their improper use and to aid in reporting of fraud – this should be built into future business cases and authorising legislation.

34 Lessons for the government

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency

Figure 7

Use of transparency to protect propriety in an emergency

During an emergency, enhanced transparency and rapid transparency can be a tool to protect propriety and prevent fraud against the taxpayer

Transparency, including a clear audit trail to support key decisions, is a vital control to ensure accountability, especially when the government is having to act at pace and other controls (for example, formal competitive tendering procedures) are not possible.

The government was transparent around the procurement of ventilators

In response to the COVID-19 pandemic, the government increased the number of ventilators available to the NHS by purchasing them on the global market and by the Cabinet Office's 'ventilator challenge' to encourage UK business to design and manufacture more mechanical ventilators. On the ventilator programmes, we found sufficient records of the programmes' rationale, the key spending decisions taken, and the information departments had to base those on.

Transparency around furlough scheme payments improved over time

HM Revenue & Customs (HMRC) did not initially disclose information about recipients of Coronavirus Job Retention ("Furlough") Scheme payments. In October 2020, we recommended that HMRC increase the emphasis on using preventative controls for tackling fraud and error. From January 2021, HMRC published details of employers that had received payments. From February 2021, HMRC also enabled employees to check where their employer had received furlough payments on their behalf via their personal tax accounts.

Source: Review of published National Audit Office reports and interviews with governmental officials

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency



Lesson 7: Plan how to buy in a seller's market

During a crisis, the government may need to buy goods and services in a seller's market. Its commercial leverage will be reduced and it may need to respond to a large number of offers from businesses that it would not normally deal with. It needs a clear playbook for buying from such a market with a plan for how to: triage potential leads; establish norms of transparency and accountability of the sellers; and document the management of actual and perceived conflicts of interest.

What are the challenges?

53 In a crisis the government can find itself buying goods and services in a seller's market – that is, a market where demand is high, and a seller can easily find another buyer. The government may not be able to follow normal procurement processes and have limited commercial leverage to make demands. This may mean the government takes more risk when it buys goods and services for the emergency response. For example, it may not be able to demand normal terms and conditions, such as payment after receipt and inspection of goods.

54 The pandemic presented government with a particularly difficult seller's market. The government called for support to help access scarce products and services and found itself in receipt of more offers than it could easily consider. But those offering help also had significant commercial power because they could find another buyer. Some were from businesses that government would not normally contract with because they do not meet the usual rules over financial standing or have a track record of delivery, including companies set up to act as 'brokers' to the underlying suppliers. On occasion government was willing to pay a premium compared to previous prices to some of these new suppliers to secure access to goods and services. Given the rapid onset of the pandemic and, in the case of personal protective equipment, the number of offers received in a short period, the government faced a significant challenge in triaging such potential sellers in a way that was transparently fair.

55 Responses to calls for support may include people with a position of actual or potential influence with the government. Buying goods and services in an emergency does not remove the responsibility of public bodies to identify and effectively manage actual or perceived conflicts of interest. Demonstrating that those in a position of influence have not abused that position is crucial to maintain public trust.

What progress has the government made recently?

56 The government has recently undertaken a review and agreed steps to tighten its systems for recording and managing conflicts of interest. The first Boardman report, published in December 2020, considered the award of contracts for COVID-19 communications services made by the Cabinet Office in March 2020. Of the 28 recommendations, 12 recommendations specifically related to improving management of conflicts of interest and bias. The Cabinet Office accepted all recommendations and is implementing them (**Figure 8** overleaf).

57 The Procurement Act 2023 requires procuring authorities to prepare and maintain an assessment of how they are managing conflicts of interest and to confirm this has been done as part of publishing their procurement notices.

What do we recommend the government do to go further?

58 Over the past 10 years the government has increased its commercial capability, sought to improve its contract management, and introduced better standards of transparency over its outsourcing contracts. This has included the far greater use of open-book accounting whereby the government can investigate the providers' costs and profits. At the same time, the Committee of Public Accounts has exercised greater oversight over government outsourcing through its direct scrutiny of providers.

59 While it may be impossible to apply the norms of transparency and accountability to all emergency purchasing, such as directly buying and receiving overseas, they should be applied where possible. Building in expected standards of transparency and accountability from UK-based vendors could act to provide needed public confidence in the propriety of expenditure and act as a deterrent for both poor behaviour and excessive profits.

60 We recommend that the Government Commercial Function:

t produces guidance for commercial staff, to sit alongside its outsourcing and construction playbooks, on how to buy in a seller's market. This would apply to both national emergencies and other situations where departments face a seller with significant commercial leverage. To do so it should consider recent experience of handling:

- the need to understand the market, and the level of competition and the characteristics of a seller's market that make normal procurement practices difficult;
- how to use the emergency powers in the Procurement Act 2023;
- how to triage high volumes of offers, potentially with the use of dynamic purchasing arrangements;
- high standards of transparency and accountability expected from vendors and how these can be used to provide additional leverage where commercial leverage is limited;
- how to demonstrate value for money using benchmarking;
- the use of open-book accounting for brokers of goods; and
- how to record and manage actual and perceived conflicts of interests.

Figure 8

The Boardman review of COVID-19 procurement

The government has committed to implement all of the recommendations made by the two Boardman reports, which include recommendations specifically related to improving the management of actual or perceived conflicts of interest and bias in public procurement

In December 2020 and May 2021 the Cabinet Office published two reports by Nigel Boardman into government procurement activity during the COVID-19 pandemic.

The first Boardman report identified 28 recommendations centred on Cabinet Office's procurement processes and the way the government manages actual and perceived conflicts of interest.

The Cabinet Office accepted all of these recommendations and committed to implementing them. Recommendations relating to conflicts of interest included:

18. Cabinet Office should strengthen its model for the management of actual and perceived conflicts of interest in procurements, following the “identify, prevent, rectify” sequence.

19. Additional guidance for all Government Departments on conflicts of interest in procurements should be produced and issued, and training offered.

20. Declarations of interests should be recorded and logged alongside the departmental gift register and, where appropriate, this and other, relevant information should be made available to those responsible for procurement and contract management.

22. Cabinet Office should reinforce the existing requirement that for all procurements, separate records should be kept of any actual or perceived conflicts of interest identified and of steps taken to manage any conflicts of interest related to that contract.

23. All guidance should make it clear that the requirement to declare and record actual or perceived conflicts of interest applies to all officials or those working on behalf of Cabinet Office equally, including civil servants, contractors, consultants, special advisers, and other political appointees.

The second report noted that while it had not seen evidence that any contract within scope was awarded on the grounds of favouritism, there were factors that may have encouraged such suspicion. These included the use of a high-priority lane, the delay in publishing contracts, incomplete record keeping, including in relation to conflicts of interest.

Source: Review of published reports by the National Audit Office, the Committee of Public Accounts, and the two reports published as part of the Boardman review of COVID-19 procurement

Lessons learned: tackling fraud and protecting propriety in government spending during an emergency

Appendix One

Our audit approach

Our scope

1 In May 2021, we published a report on initial learning from the government's response to the COVID-19 pandemic.¹⁰ This covered the lessons from our first 17 reports we had published on the COVID-19 response under six themes: risk management; transparency and public trust; data and evidence; coordination and delivery models; supporting and protecting people; and financial and workforce pressures. We said we would refine that thinking as we developed our work.

2 This report follows on from that initial report and focuses specifically on tackling fraud and protecting propriety. We consider the actions taken during procurement activity, issuing grants, direct payments and loans to individuals and organisations to protect and demonstrate propriety as part of the response to the pandemic and other recent pressurised situations. These actions may have been taken by central government departments, local authorities or other organisations as set out in documents we reviewed as part of this report.

3 In discussing the actions of the government and others we do not comment on value for money or wider aspects of responding in an emergency. We have looked at the lessons from our work and what the government has already done to identify some recommendations for how it can go further to improve its approach for tackling fraud and protecting propriety in future emergencies. This report does not repeat previous audit findings.

Our evidence base

4 We conducted our fieldwork between August 2023 and December 2023. The purpose of this work was to identify what lessons the government could learn from recent emergencies on how to tackle fraud and protect propriety, and what actions it could take now to ensure that it is better prepared for future emergencies. We drew on a variety of evidence sources.

¹⁰ Comptroller and Auditor General, *Initial learning from the government's response to the COVID-19 pandemic*, Session 2021-22, HC 66, National Audit Office, May 2021.

Document review

5 We reviewed our back catalogue of reports, and that of the Committee of Public Accounts (PAC), to identify a long list of reports where government was likely to need to tackle fraud and protect propriety in public spending. We also used colleagues' expertise to identify additional relevant reports. We reviewed more than 60 reports published between 2020 and 2023 (Appendix Two) to identify extracts which covered fraud or impropriety and thematically grouped these. We used this review to:

- iteratively develop an initial list of risks to propriety and possible mitigations. We shared this initial list of risk areas with our audit and insights teams who were involved in the reports we reviewed to test the consistency and completeness of our review;¹¹
- inform interviews with officials responsible for emergency responses during the pandemic; and
- inform interviews with officials from HM Treasury, Cabinet Office, the Public Sector Fraud Authority (PSFA) and the Government Commercial Function.

6 We reviewed government departments' publicly available lessons learned reports following the pandemic to supplement the insights from our reports and those of PAC. To ensure we understood the full extent of existing lessons learned activity, we requested departments share the results of any unpublished reports or lessons learned activities relevant to protecting propriety. Only the PSFA, HM Revenue & Customs (HMRC) and the Department of Health & Social Care (DHSC) provided documents. Also, to understand the wider emergency planning and response arrangements we reviewed published government guidance.

Interviews with government officials

7 We identified government departments with a spend above £50 million as at June 2022 on COVID-19 pandemic response measures, using our COVID-19 cost tracker.¹² We selected a £50 million threshold to focus on those departments with the most significant spending and to keep the amount of fieldwork required manageable within the time available. We checked this list of departments against the reports reviewed to ensure we had selected departments where the National Audit Office or the PAC had already undertaken some audit work on the response.

¹¹ Our insights teams cover the following functional areas: analysis, major project delivery, commercial, people & operations management, financial & risk management and digital.

¹² National Audit Office, COVID-19 cost tracker overview - interactive visualisation, 23 June 2022. Available here: www.nao.org.uk/overviews/covid-19-cost-tracker/

8 We used the list of departments covered in the reports we reviewed, in collaboration with our audit teams to identify those departments who had greater exposure to propriety and fraud challenges during the pandemic to interview further. We held 9 interviews with officials from HMRC, the Department for Business and Trade, the Department for Energy Security & Net Zero, the Department for Work and Pensions, the Department for Levelling Up, Housing & Communities, the Department for Culture, Media & Sport and the British Business Bank. We also invited officials from DHSC for interview. We also received some written comments from these departments, including DHSC.

9 We shared our initial analysis of risk areas for written comments with those departments we interviewed, and departments we did not approach for interview, namely: the Department for Environment, Food & Rural Affairs, the Department for Transport, the Department for Education, the Home Office, the Foreign, Commonwealth & Development Office, the Ministry of Defence and the Ministry of Justice. We received 12 sets of comments. We sought feedback on the structure and content of the risk areas and for additional practical lessons or good practice examples on how to protect propriety in an emergency response.

10 We interviewed officials from Cabinet Office and HM Treasury, including the PSFA, as the lead departments in the centre of government for spending and commercial controls. We discussed our initial analysis of risk areas, how the government had sought to learn lessons from recent emergencies and what more could be done. We also interviewed officials within the Cabinet Office's Resilience Directorate and the Cabinet Office Briefing Rooms Unit with responsibility for emergency preparedness to understand how their work related to protecting propriety.

Interviews and roundtable discussions on the seven lessons identified

11 Following feedback from departments during interviews and in writing, we developed our identified risk areas into seven lessons where the government could take action to improve how it tackles fraud and protects propriety in future emergencies. Within each area we proposed recommendations to the whole of government, HM Treasury or Cabinet Office.

12 We shared these draft lessons with HM Treasury and Cabinet Office to test these were relevant and realistic and to ensure the draft recommendations were deliverable by the government. We also held two virtual roundtable semi-structured discussions in November 2023 on these draft lessons with in-scope departments. We invited over 70 officials from 12 departments to attend either discussion. We used this feedback to further develop the lessons and identify case study examples.

Appendix Two

Reports reviewed

Reports relevant to each lesson

1 We reviewed over 60 reports by the National Audit Office and the Committee of Public Accounts that we identified as having lessons for emergency spending. We have listed those that are most relevant to each of the lessons in this report below.

Lesson 1: Be clear on governance and rules

- Comptroller and Auditor General, *COVID-19 business grant schemes*, Session 2022-23, HC 1200, National Audit Office, March 2023.
- Comptroller and Auditor General, *Report by the Comptroller and Auditor General: Department of Health & Social Care 2021-22*, National Audit Office, January 2023. Published in Department of Health & Social Care, *Annual Report and Accounts 2021-22*, HC 1043, January 2023.
- Comptroller and Auditor General, *Report by the Comptroller and Auditor General: Department for Work and Pensions 2021-22*, National Audit Office, July 2022. Published in Department for Work and Pensions, *Annual Report and Accounts 2021-22*, HC 193, July 2022.
- Comptroller and Auditor General, *The Bounce Back Loan Scheme: an update*, Session 2021-22, HC 861, National Audit Office, December 2021.
- Comptroller and Auditor General, *Lessons learned: Delivering programmes at speed*, Session 2021-22, HC 667, National Audit Office, September 2021.
- Comptroller and Auditor General, *Investigation into preparations for potential COVID-19 vaccines*, Session 2019-21, HC 1071, National Audit Office, December 2020.
- Comptroller and Auditor General, *The government's approach to test and trace in England – interim report*, Session 2019-21, HC 1070, National Audit Office, December 2020.

- Comptroller and Auditor General, *The supply of personal protective equipment (PPE) during the COVID-19 pandemic*, Session 2019-21, HC 961, National Audit Office, November 2020.
- Comptroller and Auditor General, *Implementing employment support schemes in response to the COVID-19 pandemic*, Session 2019-21, HC 862, National Audit Office, October 2020.
- Comptroller and Auditor General, *Investigation into the Bounce Back Loan Scheme*, Session 2019-21, HC 860, National Audit Office, October 2020.

Lesson 2: Prioritise, but communicate that you will return to things you cannot cover immediately

- Comptroller and Auditor General, *COVID-19 business grant schemes*, Session 2022-23, HC 1200, National Audit Office, March 2023.
- Comptroller and Auditor General, *Tackling fraud and corruption against government*, Session 2022-23, HC 1199, National Audit Office, March 2023.
- Comptroller and Auditor General, *Report by the Comptroller and Auditor General: Department for Work and Pensions 2021-22*, National Audit Office, July 2022. Published in Department for Work and Pensions, *Annual Report and Accounts 2021-22*, HC 193, July 2022.
- Comptroller and Auditor General, *The Bounce Back Loan Scheme: an update*, Session 2021-22, HC 861, National Audit Office, December 2021.

Lesson 3: Embed the fraud risk management cycle

- Committee of Public Accounts, *Energy bills support*, Fifty-Eighth Report of Session 2022-23, HC 1074, June 2023.
- Comptroller and Auditor General, *Tackling fraud and corruption against government*, Session 2022-23, HC 1199, National Audit Office, March 2023.
- Comptroller and Auditor General, *COVID-19 business grant schemes*, Session 2022-23, HC 1200, National Audit Office, March 2023.
- Committee of Public Accounts, *Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021-22*, Forty-Fifth Report of Session 2022-23, HC 1254, March 2023.
- Comptroller and Auditor General, *Energy bills support*, Session 2022-23, HC 1025, National Audit Office, February 2023.

- Comptroller and Auditor General, *Report by the Comptroller and Auditor General: HM Revenue & Customs 2021-22 Accounts*, National Audit Office, July 2022. Published in HM Revenue & Customs, *Annual Report and Accounts 2021-22*, HC 494, July 2022.
- Comptroller and Auditor General, *The Bounce Back Loan Scheme: an update*, Session 2021-22, HC 861, National Audit Office, December 2021.
- Comptroller and Auditor General, *Investigation into the Bounce Back Loan Scheme*, Session 2019-21, HC 860, National Audit Office, October 2020.

Lesson 4: Create a flexible counter-fraud capability

- Comptroller and Auditor General, *Tackling fraud and corruption against government*, Session 2022-23, HC 1199, National Audit Office, March 2023.
- Comptroller and Auditor General, *Managing tax compliance following the pandemic*, Session 2022-23, HC 957, National Audit Office, December 2022.
- Comptroller and Auditor General, *Report by the Comptroller and Auditor General: Department for Business, Energy & Industrial Strategy 2021-22*, National Audit Office, October 2022. Published in Department for Business, Energy & Industrial Strategy, *Annual Report and Accounts 2021-22*, HC 771, October 2022.
- Comptroller and Auditor General, *The Bounce Back Loan Scheme: an update*, Session 2021-22, HC 861, National Audit Office, December 2021.
- Comptroller and Auditor General, *Investigation into government funding to charities during the COVID-19 pandemic*, Session 2019-21, HC 1236, National Audit Office, March 2021.

Lesson 5: Plan for the data you will need

- Committee of Public Accounts, *Local authority administered COVID support schemes in England*, Sixty-Eighth Report of Session 2022-23, HC 1234, September 2023.
- Comptroller and Auditor General, *Tackling fraud and corruption against government*, Session 2022-23, HC 1199, National Audit Office, March 2023.
- Committee of Public Accounts, *Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021-22*, Forty-Fifth Report of Session 2022-23, HC 1254, March 2023.
- Committee of Public Accounts, *COVID employment support schemes*, Fortieth Report of Session 2022-23, HC 810, March 2023.
- Comptroller and Auditor General, *Energy bills support*, Session 2022-23, HC 1025, National Audit Office, February 2023.

- Committee of Public Accounts, Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21, First Report of Session 2022-23, HC 59, May 2022.
- Committee of Public Accounts, HMRC’s management of tax debt, Forty-Eighth Report of Session 2021-22, HC 953, March 2022.
- Comptroller and Auditor General, The Bounce Back Loan Scheme: an update, Session 2021-22, HC 861, National Audit Office, December 2021.
- Comptroller and Auditor General, Initial learning from the government’s response to the COVID-19 pandemic, Session 2021-22, HC 66, National Audit Office, May 2021.
- Comptroller and Auditor General, Challenges in using data across government, Session 2017-19, HC 2220, National Audit Office, June 2019.

Lesson 6: Increase transparency

- Comptroller and Auditor General, Tackling fraud and corruption against government, Session 2022-23, HC 1199, National Audit Office, March 2023.
- Comptroller and Auditor General, Investigation into the government’s contracts with Radox Laboratories Ltd, Session 2021-22, HC 1018, National Audit Office, March 2022.
- Comptroller and Auditor General, Report by the Comptroller and Auditor General: HM Revenue & Customs 2020-21 Accounts, National Audit Office, October 2021. Published in HM Revenue & Customs, Annual Report and Accounts 2020-21, HC 696, November 2021.
- Committee of Public Accounts, Fraud and error, Ninth Report of Session 2021-22, HC 253, June 2021.
- Committee of Public Accounts, COVID-19: Government procurement and supply of Personal Protective Equipment, Forty-Second Report of Session 2019-21, HC 928, February 2021.
- Committee of Public Accounts, Covid-19: Support for jobs, Thirty-Fourth Report of Session 2019-21, HC 920, December 2020.
- Comptroller and Auditor General, Investigation into government procurement during the COVID-19 pandemic, Session 2019-21, HC 959, National Audit Office, November 2020.
- Comptroller and Auditor General, Investigation into how government increased the number of ventilators available to the NHS in response to COVID-19, Session 2019-21, HC 731, National Audit Office, September 2020.

Lesson 7: Plan how to buy in a seller's market

- Comptroller and Auditor General, Lessons learned: competition in public procurement, Session 2022-23, HC 1664, National Audit Office, July 2023.
- Comptroller and Auditor General, Report by the Comptroller and Auditor General: Department of Health & Social Care 2021-22, National Audit Office, January 2023. Published in Department of Health & Social Care, Annual Report and Accounts 2021-22, HC 1043, January 2023.
- Comptroller and Auditor General, Investigation into the management of PPE contracts, Session 2021-22, HC 1144, National Audit Office, March 2022.
- Comptroller and Auditor General, Report by the Comptroller and Auditor General: Department of Health & Social Care 2020-21, National Audit Office, January 2022. Published in Department of Health & Social Care, Annual Report and Accounts 2020-21, HC 1053, January 2022.
- Committee of Public Accounts, Initial lessons from the government's response to the COVID-19 pandemic, Thirteenth Report of Session 2021-22, HC 175, July 2021.
- Committee of Public Accounts, COVID-19: Government procurement and supply of Personal Protective Equipment, Forty-Second Report of Session 2019-21, HC 928, February 2021.
- Comptroller and Auditor General, Investigation into government procurement during the COVID-19 pandemic, Session 2019-21, HC 959, National Audit Office, November 2020.
- Comptroller and Auditor General, The supply of personal protective equipment (PPE) during the COVID-19 pandemic, Session 2019-21, HC 961, National Audit Office, November 2020.

Other reports we have reviewed

2 We also reviewed the following reports to inform our general analysis:

- Committee of Public Accounts, Department of Health and Social Care 2021-22 Annual Report and Accounts, Sixty-Second Report of Session 2022-23, HC 997, July 2023.
- Committee of Public Accounts, Managing tax compliance following the pandemic, Forty-Ninth Report of Session 2022-23, HC 739, May 2023.
- Committee of Public Accounts, HMRC performance in 2021-22, Thirty-Third Report of Session 2022-23, HC 686, January 2023.
- Committee of Public Accounts, The Department for Work and Pensions' Accounts 2021-22 – Fraud and error in the benefits system, Twenty-Sixth Report of Session 2022-23, HC 44, November 2022.

- Comptroller and Auditor General, *Delivery of employment support schemes in response to the Covid-19 pandemic*, Session 2022-23, HC 656, National Audit Office, October 2022.
- Committee of Public Accounts, *Management of PPE contracts*, Twelfth Report of Session 2022-23, HC 260, July 2022.
- Committee of Public Accounts, *The rollout of the COVID-19 vaccine programme in England*, Eleventh Report of Session 2022-23, HC 258, July 2022.
- Committee of Public Accounts, *Bounce Back Loans Scheme: Follow-up*, Fiftieth Report of Session 2021-22, HC 951, April 2022.
- Committee of Public Accounts, *Government preparedness for the COVID-19 pandemic: lessons for government on risk*, Forty-Sixth Report of Session 2021-22, HC 952, March 2022.
- Comptroller and Auditor General, *The rollout of the COVID-19 vaccination programme in England*, Session 2021-22, HC 1106, National Audit Office, February 2022.
- Comptroller and Auditor General, *Report by the Comptroller and Auditor General: Department for Business, Energy and Industrial Strategy 2020-21*, National Audit Office, November 2021. Published in Department for Business, Energy & Industrial Strategy, *Annual Report and Accounts 2020-21*, HC 808, November 2021.
- Comptroller and Auditor General, *The government's preparedness for the COVID-19 pandemic: lessons for government on risk management*, Session 2021-22, HC 735, National Audit Office, November 2021.
- Committee of Public Accounts, *The Department for Work and Pensions' Accounts 2020-21 – Fraud and error in the benefits system*, Twenty-Fifth Report of Session 2021-22, HC 633, November 2021.
- Comptroller and Auditor General, *Managing tax debt through the pandemic*, Session 2021-22, HC 799, National Audit Office, November 2021.
- Comptroller and Auditor General, *Test and trace in England – progress update*, Session 2021-22, HC 295, National Audit Office, June 2021.
- Committee of Public Accounts, *COVID-19: Government Support for Charities*, Fifth Report of Session 2021-22, HC 250, June 2021.
- Committee of Public Accounts, *COVID 19: Culture Recovery Fund*, Fourth Report of Session 2021-22, HC 340, June 2021.
- Committee of Public Accounts, *COVID-19: Local government finance*, Fourth Report of Session 2021-22, HC 239, June 2021.

- Comptroller and Auditor General, Local government finance in the pandemic, Session 2019-21, HC 1240, National Audit Office, March 2021.
- Comptroller and Auditor General, Investigation into the Culture Recovery Fund, Session 2019-21, HC 1241, National Audit Office, March 2021.
- Committee of Public Accounts, COVID-19: Test, track and trace (Part 1), Forty-Seventh Report of Session 2019-21, HC 932, March 2021.
- Committee of Public Accounts, COVID-19: Planning for a vaccine Part 1, Forty-Third Report of Session 2019-21, HC 930, February 2021.
- Committee of Public Accounts, Covid-19: Bounce Back Loan Scheme, Thirty-Third Report of Session 2019-21, HC 687, December 2020.
- Committee of Public Accounts, Covid-19: Supply of ventilators, Twenty-Seventh Report of Session 2019-21, HC 685, November 2020.

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