

Tackling fraud in UK aid: country case studies

Approach summary paper

December 2023

Introduction

This rapid review is the last in a series undertaken by the Independent Commission for Aid Impact (ICAI) during its third commission on programme governance and counter-fraud measures in official development assistance (ODA) spending.¹ This review builds on findings and themes from the earlier reviews to assess how effectively fraud risk is managed in ODA delivered through the UK's global network of embassies, high commissions and other UK government offices, overseen by Foreign, Commonwealth and Development Office (FCDO) Heads of Mission – the UK's ambassadors and high commissioners.

Background

In 2022, £2.4 billion (18%) of the UK's £12.8 billion ODA expenditure was delivered through country-specific bilateral programmes. Of this, £2.1 billion was managed by FCDO (27% of FCDO's £7.6 billion total ODA expenditure) and the remainder by other government departments. Country-specific bilateral ODA is primarily managed by staff based in the country of delivery. It excludes core contributions to multilateral organisations and global and regional programmes but includes some country-specific expenditure managed by staff based in the UK or a third country for security, political and/or logistical reasons, such as in the case of the Syria Office which has staff based in the UK and Lebanon.

FCDO has a devolved approach to programme governance and risk management. ICAI's 2023 rapid review of *The FCDO's Programme Operating Framework*, which sets out rules and guidance for programme management, found that while this has the potential to enable agility and context-appropriate decision-making, this devolved approach requires country-level leadership, and local capability and capacity to be effective.² *The Programme Operating Framework* applies to all FCDO policy programmes, including ODA, but does not apply to other government departments, some of which also manage country-specific ODA programmes. Other government departments manage and are accountable for programmes according to their own procedures but their staff based overseas also have a reporting line to the FCDO Head of Mission, who is responsible for in-country risk management.

Fraud is an often hidden crime that causes diversion of resources from their intended purpose. The UK's 2006 Fraud Act defines fraud as the act of making a false representation or failing to disclose relevant information, or the abuse of position, in order to make a financial gain or misappropriate assets.³ Beyond financial loss, fraud

¹ *Tackling fraud in UK aid*, Independent Commission for Aid Impact, 8 April 2021, [link](#); *Tackling Fraud in UK aid through multilateral organisations*, Independent Commission for Aid Impact, 22 March 2022, [link](#); and, *The FCDO's Programme Operating Framework*, Independent Commission for Aid Impact, April 2023, [link](#).

² *The FCDO's Programme Operating Framework*, Independent Commission for Aid Impact, April 2023, p. 22, [link](#).

³ *Fraud Act 2006*, legislation.gov.uk, 2006, [link](#).

can undermine systems and good governance, and irreversibly harm people, industries, public bodies, services and the environment.⁴

The UK participates in the International Public Sector Fraud Forum (IPSFF) along with representatives from the governments of Australia, Canada, New Zealand and the United States to share good practice in fraud risk management. The UK's Public Sector Fraud Authority guidance for effective fraud control in ODA sets out IPSFF's five principles:⁵

1. There is always going to be fraud
2. Finding fraud is a good thing
3. There is no one solution
4. Fraud and corruption are ever changing
5. Prevention is the most effective way to address fraud and corruption

The Public Sector Fraud Authority estimates between 0.5% and 5% of all government spending is lost to fraud and error.⁶ The UK government does not publish the amount of detected fraud in ODA, or through contracts and grants; however, FCDO reported overall detected fraud of £2.2 million in 2020-21⁷ compared to total expenditure of £9.9 billion,⁸ a detected fraud loss rate of 0.02%.⁹ Similar, low levels of detected fraud are reported across UK government departments and by other major donors.¹⁰ Prior to the merger of the Department for International Development (DFID) and Foreign and Commonwealth Office (FCO) to form FCDO in 2020, DFID was detecting fraud losses at 0.06%.¹¹

In the 2021 review *Tackling fraud in UK aid*, ICAI surveyed stakeholders in the UK aid delivery chain to understand why so little fraud is reported. The 421 respondents gave three main reasons:¹²

- People are afraid or disincentivised to report fraud (73% considered this likely or very likely).
- People are not incentivised to look for fraud (71% considered this likely or very likely).
- People fear reporting will damage the reputation of UK aid or result in reduced funding (69% considered this likely or very likely).

Two key disincentives identified in the 2021 review were: (a) the administrative burden that results from information demands when reporting fraud; and (b) that delivery partners often bear the fraud costs, rather than these being successfully recovered from the fraudster.¹³ These issues raise questions about the efficiency of fraud risk management measures which this latest review will explore.

ICAI's annual follow-up of recommendations found severe staff shortages in key central counter-fraud teams following the 2020 merger of DFID and FCO to form FCDO.¹⁴ These shortages had hampered progress in responding to recommendations in the 2021 *Tackling fraud in UK aid* review relating to strengthening whistleblowing approaches, increasing independent scrutiny of procurement, and taking a more proactive approach to fraud investigation.¹⁵ The follow-up also raised questions about whether similar resource constraints have occurred at country level and, if so, how they have been managed.

⁴ *Guide to understanding the total impact of fraud*, International Public Sector Fraud Forum, February 2020, p. 5, [link](#).

⁵ *Fraud in international aid principles for effective fraud control*, Public Sector Fraud Authority, 29 September 2023, [link](#).

⁶ *Cross-Government Fraud Landscape Annual Report 2022*, Public Sector Fraud Authority, p. 23, [link](#).

⁷ *Cross-Government Fraud Landscape Annual Report 2022*, Public Sector Fraud Authority, p. 32, [link](#).

⁸ *FCDO annual report and accounts 2020 to 2021* (sections 1.1 to 2.1), Foreign, Commonwealth and Development Office, sections 1.1 to 2.1, 30 November 2021, [link](#). Note that, according to attribution rules stipulated by the Public Sector Fraud Authority, fraud that occurs in spend through certain payment mechanisms, such as core multilateral funding, is not attributed to FCDO. Based on our initial discussions with FCDO, adjusting for this could materially impact the overall detected fraud loss rate.

⁹ FCDO's detected error in 2020-21 was £2.7 million. Therefore, the total detected fraud and error was 0.05% of the £9.9 billion expenditure.

¹⁰ *Tackling fraud in UK aid*, Independent Commission for Aid Impact, 8 April 2021, p. 11, [link](#).

¹¹ *Tackling fraud in UK aid*, Independent Commission for Aid Impact, 8 April 2021, p. 22, [link](#).

¹² *Tackling fraud in UK aid*, Independent Commission for Aid Impact, 8 April 2021, p. 19, [link](#).

¹³ *Tackling fraud in UK aid*, Independent Commission for Aid Impact, 8 April 2021, p. 22, [link](#).

¹⁴ *ICAI follow-up review of 2021-22 reports*, Independent Commission for Aid Impact, July 2023, p. 32, [link](#).

¹⁵ *ICAI follow-up review of 2021-22 reports*, Independent Commission for Aid Impact, July 2023, p. iv, [link](#).

Purpose and scope of the rapid review

This review will assess how well fraud risk in country-specific ODA programmes is managed, following up on key themes identified in earlier reviews relating to efficiency, effectiveness and coherence. Due to COVID-19 travel restrictions, fieldwork was not possible for these reviews, so their focus has been on the systems and processes in place centrally to manage risk. ICAI's 2016 review of *DFID's approach to managing fiduciary risk in conflict-affected environments* was the last time ICAI conducted field visits focusing primarily on fiduciary risk.¹⁶

This rapid review will focus on practical examples in a selection of countries, looking at how ODA is managed by UK government staff and their relationships with external stakeholders. It will look at how staff are implementing in practice the key systems and processes evaluated in earlier reviews, and how the UK works with partners to assess and address fraud risks in-country. Previous ICAI reviews and annual follow-ups have highlighted how staff turnover and resource constraints have impacted fraud risk management, so our review will include looking at (a) how efficiently the UK uses in-country resources to ensure fraud risk management practices meet government standards, and (b) how it ensures the right type and amount of resource is allocated. We will then look at how effectively fraud risks, allegations and concerns are identified in the country, and the level of training and experience of staff with fraud risk management responsibilities. As fraud can undermine entire systems, we will look at how staff in selected countries engage with external partners, other aid agencies, government officials and law enforcement to identify and reduce fraud risks in aid delivery.¹⁷

The review will cover country-specific ODA since the formation of FCDO in September 2020. We will look at how staff managing country programmes understand and apply FCDO or other applicable rules and guidance relating to fraud risk management, and how they assess and mitigate fraud risk, as well as the capability and experience of programme management staff. The scope of this review does not include other government departments' fraud risk management procedures but will include how staff from other government departments and FCDO address fraud risk, and how the reporting lines from other government department staff to the FCDO Head of Mission work in practice.

As with previous reviews, we will take a broad definition of fraud and consider all kinds of corruption and misappropriation of aid, but with a focus on the characteristic deception and secrecy associated with fraud. We will consider the management of fraud risk in the UK aid delivery chain whether or not it may result in a loss of UK aid – for example, the risk of funding a corrupt organisation, even if it does not directly misappropriate UK funds, is in scope.

Review questions

The review will seek to answer the following questions:

- 1. Efficiency:** How efficiently does the UK government deploy resources to ensure robust country-level fraud risk management in the aid delivery chain?
 - How does the UK allocate resources to manage fraud risks in-country, including if there are staff shortages or other resource constraints?
 - How does the UK ensure value for money of the training and support provided to first line country staff?
 - How does the UK engage with partners and other third parties to efficiently manage in-country fraud risk in the delivery chain?
 - How well do different UK government teams, departments and bodies share and use each other's fraud risk knowledge, learning and good practice in-country.

¹⁶ *DFID's approach to managing fiduciary risk in conflict-affected environments*, Independent Commission for Aid Impact, August 2016, [link](#).

¹⁷ *Guide to understanding the total impact of fraud*, International Public Sector Fraud Forum, February 2020, p. 5, [link](#).

2. **Effectiveness:** How effective are the UK's overseas teams at identifying and responding to fraud allegations and concerns in aid delivery?
 - How does the UK identify fraud risks at the country and programme level?
 - How do country staff learn of fraud allegations or concerns, and how quickly and appropriately are they managed?
 - How well do country staff understand fraud risks in their portfolios?
3. **Coherence:** How well does the UK work across different UK government teams, departments and bodies (internal coherence), and with external partners (external coherence), to tackle fraud in aid delivery?
 - How do different UK government teams, departments and bodies ensure a joined-up approach to counter-fraud in-country (both in terms of systems and strategies)?
 - How well do country staff work with central teams to apply good counter-fraud practice?
 - How effectively does the UK contribute to a coherent approach to fraud risk management in aid delivery overall in the country (both in terms of systems and strategies)?

Methodology

This rapid review will centre on case studies of how country staff manage fraud risk in programmes that include ODA. Each case study will seek to understand how country staff manage fraud risk in relation to FCDO (where applicable) and cross-government guidance, and the local context. The review will use the case studies to assess how well fraud risk is managed in practice at the country level and to draw out examples of good practice, areas of weakness and learning opportunities relevant to wider fraud risk management in FCDO and other UK government departments that manage ODA programmes. We will ensure a diverse range of interviewees, including in terms of experience, background and gender.

Our methodology comprises the following components:

1. **Review of the current FCDO and cross-government guidance (fraud risk management in country) and FCDO fraud data.** This will include reviewing documentation provided by, and conducting interviews with, central FCDO counter-fraud staff. We will also review FCDO fraud reporting data and documentation for a sample of significant four to six closed cases of suspected fraud reported through FCDO's systems. We will select these from the most significant (according to FCDO's categorisation) and most recent cases based on reported data and interviews with central counter-fraud staff.

This will provide the context for our case studies and give us an insight into developments in FCDO's fraud risk management since the earlier reviews.

2. **Three in-depth country case studies.** These will include field visits and involve:
 - a. A review of relevant materials for the country, such as risk assessments and fraud reporting data, and interviews with senior officials responsible for fraud risk management.
 - b. Interviews with programme management staff and a review of fraud risk management documentation for a sample of three to five programmes per country and a sample of fraud reporting/whistleblowing cases where applicable. These samples will cover a wide range of programme types and sizes, including those where suspected fraud has been reported where applicable.
 - c. Interviews and/or focus groups with key external stakeholders such as delivery partners, local civil society organisations, other aid agencies and donors, local counter-fraud professionals and experts, and host government officials.

These case studies will give a deeper view of fraud risk management in country-specific ODA-funded programmes. The in-country work will help us understand the interface between policy, guidance and

practice and how this is informed by attitudes and behaviours towards fraud and fraud risk management by staff with these responsibilities. They will form the core part of our work and enable comparison between different countries, programmes and contexts.

To achieve this, we have selected three countries from the top 20 by bilateral UK aid spend in 2022:¹⁸

- **Kenya** – a complex and longstanding aid and logistics hub for East Africa, giving us access to partners who work across the region.
- **India** – a rapidly growing economy where the UK has transitioned away from funding traditional poverty-focused aid projects towards a partnership based on mutual interests.¹⁹
- **Mozambique** – a low-income country and new entrant in the top 20 countries by bilateral UK aid spend in 2022. Mozambique has one of the poorest corruption perception index ratings for a non-fragile state in the top 20 countries by bilateral UK aid spend.²⁰

3. Supplementary case studies. These will focus on a selection of five countries to give a broad perspective, and will involve:

- a. A review of relevant materials for the country, such as risk assessments and fraud reporting data.
- b. Interviews with programme management staff and review of risk management documentation for a sample of one to two programmes per country and a sample of fraud reporting/whistleblowing cases where applicable.

These case studies will provide breadth to the review and enable us to compare approaches across a wider range of countries and programmes, including those with smaller ODA budgets and conflict-affected environments where aid delivery is managed remotely.

To achieve this, we have selected the following countries:

- **Somalia** – a fragile state and consistently among the largest UK aid budgets and the poorest corruption perception index rating in the world.²¹ There is the potential to include programme staff interviews while in Nairobi as some programmes are managed remotely.
- **Syria** – another fragile state with a large aid spend. The UK Office for Syria has always been primarily based in the UK with some staff in Lebanon. Some of the Lebanon-based staff have been relocated to the UK due to increased threat levels in Lebanon.
- **Lebanon** – fell outside the top 20 by bilateral aid spend in 2022, but programme staff are being relocated to the UK due to increased threat levels. This gives the opportunity to understand how fraud risks are managed during withdrawal of staff and how Lebanese and Syrian teams exchanged information and learning.
- **Montserrat** – a Caribbean British Overseas Territory. Montserrat has an aid budget of £45.5 million for 2023-24 and a population of around 4,000 people, making it one of the highest UK aid recipients by population.²²
- **Myanmar** – another top 20 country by aid spend. Myanmar authorities have highly restricted official UK travel to Myanmar since the coup in 2021, which has prevented ICAI from conducting in-person country visits.

Timeline

Research for this rapid review began in November 2023, with publication expected in March 2024.

¹⁸ Excel tables: Statistics on international development final UK aid spend 2022, National Statistics, Table 6a, [link](#).

¹⁹ UK aid to India, Independent Commission for Aid Impact, March 2023, p. iv, [link](#).

²⁰ Corruption Perceptions Index, Transparency International, 2022, [link](#).

²¹ Corruption Perceptions Index, Transparency International, 2022, [link](#).

²² UK's relationship with its overseas territories, House of Lords Library, 18 May 2023, [link](#).