Rapid review: Tackling fraud in UK aid through multilateral organisations

Annotated bibliography

March 2022

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1. Introduction

1.1 Overview

For ICAI's 2021 review, *Tackling fraud in UK aid*, we published an annotated bibliography that summarised selected literature on fraud in the UK public sector and in international development, and outlined general good practice in fraud risk management in the private sector.[1] This update summarises additional publications relating to ICAI's 2022 supplementary review, *Tackling fraud in UK aid through multilateral organisations*.

1.2 Approach

This report is an update to the previous annotated bibliography and is based on a survey of available literature on fraud and the broader governance and accountability context in the multilateral system. This update summarises key publications and websites, drawing on authors' and publishers' summaries, and key areas of documents relating to fraud and the broader governance and accountability context in multilaterals, from the following sources:

- Multilateral publications. These are mostly from the United Nations Joint Inspection Unit, the external oversight body that scrutinises and evaluates the United Nations system.

- UK government and third-party publications.

The donor and multilateral publications reflect the concerns and perspectives of their source. United Nations (UN) publications, for example, often emphasise the burden on its organisations and staff if donors carry out their own audits and the importance of the single audit principle. Meanwhile, donor publications emphasise the need for transparency and oversight of risk management to ensure maximum accountability and value for money for the taxpayer.

2. Multilateral publications

2.1 The audit function in the United Nations system, Joint Inspection Unit, 2010, link

This report presents the findings of a review by the United Nations' Joint Inspection Unit (JIU) in 2010 of the United Nations audit function and includes recommendations on how to enhance its efficiency and effectiveness. The report's main findings were:

- Member States and managers had dedicated time and resources to strengthen the audit oversight function, resulting in notable improvement in the scope, coverage and effectiveness of the audit activity.

- The audit function was still lacking coherence and coordination across the United Nations system.

- The establishment of audit/oversight committees with an advisory role to management and legislative bodies is a major step towards improving the audit function. However, at the time of the report, five UN organisations had not established such a committee.

- There was concern about adherence to the single audit principle. The report explains that the single audit principle is intended to provide cost effectiveness, in that one audit is conducted rather than multiple audits of individual programmes, but notes that external bodies, such as the European Commission, frequently conduct additional verifications. The report recommended that UN external auditors,

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[1] *Annotated bibliography: Tackling fraud in UK aid*, ICAI, 8 April 2021, link.

audit/oversight committees and legislative/governing bodies should be informed of all third-party verifications, to avert a misunderstanding of what a working single audit approach entails.

2.2 Fraud prevention, detection and response in United Nations system organisations, Joint Inspection Unit, 2016, link

This report examines fraud prevention, detection and response in the United Nations system at the conceptual and operational levels, and advocates the adoption of a fraud management framework that provides guidance on ways of dealing with fraud. It provides recommendations to address fraud practices across the system and advocates for organisations to adopt practices that best suit their needs, rather than a one-size-fits-all approach.

2.3 Donor-led assessments of the United Nations system organisations, Joint Inspection Unit, 2017, link

This report reviews the approaches, arrangements and practices in place regarding donor-led assessments in the United Nations system, including reviews of risk management by donors. Key findings include:

- Several organisations maintained that donors do not involve them in the planning of reviews. They are also not always aware of the methodologies or criteria against which they are being assessed, which raises concerns about the quality and accuracy of review findings.

- UN organisations must dedicate considerable resources, mainly staff and time, to their involvement in donor assessments. This may divert substantial resources from the organisations' core activities.

- Organisations raised concerns about the lack of familiarity with the United Nations system of external consultants engaged by donors to conduct assessments with organisations' financial and related regulations and rules; conflict with the existing confidentiality and public disclosure policies; and the intrusive nature of the reviews, often going beyond the scope agreed or provided in donor agreements and project documents.

- One of the main reasons given by donors for conducting their own assessments has been that funds provided by them are not subject to oversight by the internal and external oversight bodies of the organisations in the same robust way that the regular budget and core resources are.

- Donors called for audit reports and evaluations to be made publicly available, and some underlined the need for UN organisations to improve the quality of evaluations and the institutional results frameworks, stressing that more robust and evidence-based evaluations conducted by organisations are one way of dealing with donors' information needs.

2.4 Annual Report, Multilateral Organisation Performance Assessment Network, 2020, link

The Multilateral Organisation Performance Assessment Network (MOPAN) is a network of donor countries, including the UK, established to monitor the performance of multilateral development organisations at the country level. Members have a common interest in knowing more about the effectiveness of multilateral organisations, through joint assessments of these organisations, and exchange of information and expertise in monitoring and evaluation.

MOPAN assesses the effectiveness of multilateral organisations that receive development and humanitarian funding to contribute to organisational learning within and among multilateral organisations, their clients and partners, and other stakeholders. MOPAN publishes an annual report about its work in the past year and its upcoming work for the year ahead.

This report explains MOPAN's performance indicators for assessments, which include indicators on anti-fraud procedures and organisations' transparency and accountability. The report also explains which organisations were assessed in the 2019 and 2020 cycles, and which organisations will be assessed in the 2021 cycle.

2.5 Overview of management reform, United Nations, accessed 2 December 2021, link

This website explains the UN's new management model, including a section on strengthened accountability and transparency. It explains that the UN's new accountability framework aims to strengthen analytics, results-based management, and compliance and evaluation capacities at the UN Headquarters, to ensure more oversight of operations and more accountability throughout its Secretariat, and to support Secretariat entities in ensuring better performance and accountability themselves.

3. UK government and third-party publications

3.1 Raising the standard: the Multilateral Development Review, Department for International Development, 2016, link

The *Multilateral Development Review* (2016) assessed the performance of 38 multilateral institutions funded by the UK through the Department for International Development (DFID), which merged with the Foreign and Commonwealth Office in 2020 to form the Foreign, Commonwealth and Development Office. In this review, DFID assessed results and value for money, risk and assurance, transparency and accountability, and whether agencies were still relevant for meeting the most urgent challenges.

Regarding fraud, the report states that DFID expects all organisations to have a zero-tolerance approach to fraud and corruption, acting immediately if they find it, working with authorities to bring perpetrators to account and pursuing aggressive loss-recovery approaches. The review confirmed that all agencies have systems in place to detect and combat fraud, with the multilateral development banks having some of the best developed. In many cases, though, there was not enough evidence of how well systems functioned in practice. The report states that DFID expects agencies to proactively identify and deal with risks and fraud, call out corruption wherever and whenever it happens, and apply lessons to prevent future cases. DFID stated that organisations must also ensure they have robust risk and assurance systems in place at all levels. This should include clear rules for staff managing projects and assets, excellent oversight at a corporate level (by senior management and the Board) and independent audit with the power to ensure organisations follow up findings.

3.2 Reforming multilateralism in post-COVID times: For a more regionalised, binding and legitimate United Nations, Telò, M. (Ed), Foundation for European Progressive Studies, 2020, link

This book analyses the deficiencies of the current multilateral global governance system in responding to global challenges. The authors present arguments for reforming this system and argue the urgent need to build a 'new multilateralism'. The book discusses criticism of the United Nations system in relation to waste and fraud and provides perspectives on how to tackle this, including proposed reductions in bureaucracy and overall budgets while increasing internal accountability and the services of the Office of Internal Oversight. While engaging with managerial reform, the book focuses on political reform, noting that diminishing the autonomous United Nations budget means weakening the organisation, its autonomy and its leadership. It proposes a more legitimate global multilateral governance, including both enhanced input- and output-legitimacy, as well as transparent accountability and fair representation.

3.3 Global governance reform: breaking the stalemate, Bradford, C.I. and Linn, J. (Ed), Brookings Institution Press, 2007

This book examines the current international system of institutions and governance groups, arguing that they need to be reformed to meet the most important global challenges. It examines how to make these institutions more responsive and effective. The book indicates a view that reform within a single domain will not happen by actions taken within that domain alone because there are too many conflicting forces, contradictions and complexities to permit decisive actions. It focuses on representation and legitimacy among member states and highlights the importance of building broad consensus to support reform actions.

3.4 The long battle for global governance, Buzdugan, S. and Payne, A., Routledge, 2016

This book examines global governance, focusing on how developing countries have organised themselves politically, the demands they have articulated and the responses offered to them. It provides an account of the key moments of change and contestation within leading international organisations and in global governance since the end of the Second World War. The book highlights the historical political context in which global governance is contested and evolving.

3.5 Coordinating the fight against fraud and corruption: Agreement on cross-debarment among multilateral development banks, Zimmermann, S.S. and Fariello, F.A. Jr., The World Bank Legal Review, 2013, link

This article examines the policy rationale behind the Agreement for Mutual Enforcement of Debarment Decisions, its history, its principal provisions, and key issues and challenges faced by multilateral development banks (MDBs) in crafting the agreement. The agreement has each signatory recognising and enforcing the debarment decisions of other signatories if they meet a set of criteria, including if the debarment is for fraud and corruption.

According to the article, the signatory MDBs have sanctions regimes that meet certain common core principles. The agreement enables signatory MDBs to recognise and enforce any debarment decisions of the other signatories that meet the certain criteria. These criteria include that the debarment is for fraud and corruption under one or more of the four harmonised definitions (that is, fraudulent, corrupt, coercive or collusive practices) and that it is made public.

3.6 Evaluation of Norway's anti-corruption efforts as part of its development policy and assistance, The Evaluation Department, NORAD, 2020, link

This report is an evaluation of Norway's anti-corruption efforts in its development assistance spending from 2010 to 2019 via its Ministry of Foreign and Affairs and its aid agency, Norad. Besides assessing the effectiveness of Norway's anti-corruption development programmes, it examines Norway's zero-tolerance policy to fraud and anti-corruption in its NGO and multilateral partners.

The evaluation finds that Norway has not yet applied its zero-tolerance policy uniformly across all delivery channels. It singles out the aid administration's lack of visibility of corruption cases involving Norwegian aid spending via multilaterals, despite multilateral aid spending amounting to 56% of Norway's development assistance. The report recommends that the Norwegian aid administration establish an internal mechanism for a more systematic monitoring of cases of aid misuse that are handled by multilateral partners and, in line with cases handled by NGOs, publish this information once the investigations are closed.

3.7   Addressing corruption risks in multi-partner funds, Disch, A. and Natvig, K.S., Chr. Michelsen Institute (CMI), 2019, link

This report examines the corruption risks in using multi-partner funds, which are a mechanism commonly used by bilateral donors to pool their development assistance. It uses six multi-partner funds as case studies, including Gavi, the Vaccine Alliance. The review notes that while multi-partner funds are increasingly the vehicle of choice to address fragile situations and challenging global issues, they result in more complex delivery chains and risks that donors may be unaware of.

The report distinguishes between the more traditional focus on fiduciary risk (ie, a zero-tolerance approach), and a more recent holistic approach adopted by some sector-focused funds, where risk appetite is framed in relation to attaining objectives and shared by all partners. The report concludes that donors should consider modifying their approaches to managing and accepting risks to improve the likelihood of objectives being reached under this shared approach.

Regarding fraud and corruption specifically, the report recommends donors review their resource levels dedicated to corruption prevention versus investigation and prosecution of possible fraud, to avoid a disproportionate share to prosecutorial activities. It also recommends that donors review their responses to cases of fraud, to ensure that the response is proportionate to the problem identified and preferably addressed to the actor or actors responsible.

3.8   Insufficient oversight of public international organisations puts US foreign assistance programs at risk, Office of Inspector General, USAID, 2018, link

This audit by the US government's Office of Inspector General assesses its aid agency, USAID, and its approach to managing fraud and corruption risks in its spending via multilateral organisations (or public international organisations) in Syria and Iraq. It scrutinises USAID's efforts to identify, assess and manage risks before committing funds, and the policies and processes it has in place for managing the funds once awarded.

The report found that USAID had not comprehensively identified, assessed or managed the risks associated with funding multilateral organisations in these contexts, and that it relied too heavily on multilateral organisations to manage risks on their behalf without adequately understanding their oversight capabilities. It also found that USAID's policies on managing awards did not align with its internal control standards, and that its awards related to long-term crises were particularly vulnerable to fraud, waste and abuse.

USAID accepted all six of the audit's recommendations, which included developing a comprehensive risk management policy for assessing and mitigating the risk of multilateral awards, and establishing a dedicated, centralised unit responsible for overseeing and assessing multilateral organisation effectiveness and performance.

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