

# **ICAI follow-up: Tackling fraud in UK aid through multilateral organisations**

A summary  
**July 2023**

**The Independent Commission for Aid Impact** works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of government, reporting to Parliament, and our mandate covers all UK official development assistance.

## Individual review scores and what they mean



### **An adequate score means:**

- Enough progress has been made in the right areas and in a sufficiently timely manner in order to address the core concerns underpinning ICAI's recommendations.



### **An inadequate score results from one or more of the following three factors:**

- Too little has been done to address ICAI's recommendations in core areas of concern (the response is inadequate in scope).
- Actions have been taken, but they do not cover the main concerns we had when we made the recommendations (the response is insufficiently relevant).
- Actions may be relevant, but implementation has been too slow and we are not able to judge their effectiveness (the response is insufficiently implemented).

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# Executive summary

ICAI's follow-up review is an important element in the scrutiny process for UK aid. It provides parliament and the public with an account of how well the government has responded to ICAI's recommendations to improve spending. It is also an opportunity for ICAI to identify issues and challenges facing the UK aid programme, which helps to inform subsequent reviews. For each of the reviews included in the follow-up, we provide a score of adequate or inadequate, illustrated by a tick or a cross.

This document is a summary focused only on the results of the follow-up of our review on *Tackling fraud in UK aid through multilateral organisations*. The full follow-up report of all 2021-22 reviews, including overall conclusions from the process and details of our methodology and scoring, can be found on our website.

## Findings

### Tackling fraud in UK aid through multilateral organisations

Due to valuable action on the recommendations from this review, ICAI judges the government's response to be adequate. FCDO has taken notable steps to reach out to like-minded donors to collaborate on fraud issues in the multilateral aid system, including through the Multilateral Organisation Performance Assessment Network (MOPAN) and the boards of several multilateral agencies. The department has also made notable efforts to develop a portfolio approach to fraud risk management, including through introducing peer review for Central Assurance Assessments (CAAs) of multilateral organisations, strengthened guidance and templates for CAAs, and improving the sharing of CAA findings across the department. However, FCDO has taken no substantive steps to renew and document its assessment of fraud risks related to the European Commission's ODA.



ICAI's rapid review on *Tackling fraud in UK aid through multilateral organisations* was published in October 2021. The rapid review assessed the relevance and effectiveness of the UK government's efforts to manage fraud risks relating to its core funding to multilateral organisations, and its approach to learning from its experience of engaging with multilaterals on fraud challenges.

The rapid review took place in a context where the UK government was scaling down its aid delivered through the European Commission (as part of exiting the EU), which had previously been its largest channel of core funding to multilateral organisations. During the review period the UK government had also introduced reductions to overall aid spending that were beginning to feed into more constrained funding levels for multilateral agencies. This review was not scored.

Table 1: ICAI's recommendations and the government response

Subject of recommendation	Government response
FCDO should establish a risk-based portfolio approach to managing governance risks across funding to all multilateral organisations.	Partially accepted
FCDO should continue to build stronger coalitions with like-minded donors to maintain counter-fraud and good governance as a top priority for multilateral organisations.	Accepted

FCDO should renew and document its assessment of the European Commission's ODA fraud risk management, in line with its processes for all multilateral organisations it funds.

Partially accepted

### Recommendation 1: FCDO should establish a risk-based portfolio approach to managing governance risks across funding to all multilateral organisations

The original rapid review found that FCDO had effective processes in place to identify, assess and monitor multilateral organisations' fraud risks, and that CAAs of multilaterals are generally conducted to a high standard. However, it noted that the effectiveness of FCDO's work in this area was constrained by not taking a portfolio approach to fraud risk management, characterised by a failure to balance risks across the portfolio. ICAI found a lack of consistency in analysis of fraud issues across the multilateral portfolio and weaknesses in the quality assurance of the CAAs. In response to these concerns, ICAI therefore recommended that FCDO should establish a risk-based portfolio approach to managing fraud risks with core multilateral aid. FCDO partially accepted this recommendation, noting that the department would work to better share and analyse risks across its multilateral portfolio, to strengthen internal guidance and training on due diligence for multilateral organisations, and to build internal capability and expertise in engaging with and positively influencing multilateral organisations.

This follow-up review found that FCDO has made a number of changes to its approach to assessing fraud risk management challenges in multilateral organisations, which collectively can provide the foundation for pursuing a portfolio approach. Since the original rapid review was published, FCDO has introduced peer review for CAAs, begun storing CAAs in a central repository, strengthened guidance and templates for CAAs, and improved the sharing of CAA findings across the department.

This is a substantive set of changes that adds up to an adequate response to ICAI's recommendation and goes beyond FCDO's originally limited commitments.

### Recommendation 2: FCDO should continue to build stronger coalitions with like-minded donors to maintain counter-fraud and good governance as a top priority for multilateral organisations

The original rapid review concluded that, while there were good examples of the UK successfully collaborating with like-minded donors to improve counter-fraud practices in multilaterals, there were signs that reduced contributions to a number of multilaterals were beginning to undermine UK influence in these organisations. Cooperation with other donors on due diligence was rare and FCDO's EU team had not been effectively engaging with the EU on shared counter-fraud objectives since 2018. ICAI therefore recommended that FCDO should prioritise building stronger coalitions with like-minded donors on multilateral fraud issues. FCDO accepted this recommendation and committed to continue collaborating with other donors on multilateral fraud issues, and to develop improved ways of sharing information between donors on these issues.

Since then, FCDO has undertaken valuable work with MOPAN, which carries out regular detailed assessments of multilateral organisations on behalf of a group of key donors, including the UK. FCDO's support for MOPAN has recently moved beyond providing financial assistance, to providing advice on how to evolve its approach to assessing policies and systems fraud prevention in humanitarian organisations and other agencies working in crisis contexts.

In addition to these collaborations, FCDO highlighted its recent work to scrutinise the strategy of the Integrity Vice Presidency (the team in the World Bank which investigates accusations of fraud and corruption) and action to implement it; to ensure fraud allegations were investigated and acted on in the UN's Office for Project Services; and to work with the Bill and Melinda Gates Foundation to assess the supply chain systems of the UN Population Fund. Given the overall substance of these and other efforts to engage on this recommendation, ICAI judges FCDO's response to this recommendation to be adequate.

### Recommendation 3: FCDO should renew and document its assessment of the European Commission's ODA fraud risk management, in line with its processes for all multilateral organisations it funds

The original rapid review highlighted serious concerns that, despite the fact that UK aid will continue to be channelled through the European Commission until 2029, FCDO has no plan in place to document and update risks in line with its approach to other multilateral organisations. In addition, it noted that FCDO had not undertaken substantive analysis of the Commission's ODA counter-fraud systems, structures and culture since 2016, and there had been no bilateral discussions between FCDO and the Commission or its anti-fraud office (OLAF) about fraud risk management since 2018. ICAI therefore recommended that FCDO undertake new work to assess the Commission's ODA fraud risk management approach. FCDO partially accepted this recommendation, and committed merely to monitor, review and report on any changes in the Commission's fraud management, and to conduct appropriate fiduciary risk assessments for any new funding through the Commission.

The follow-up review found that no substantive action on oversight of European Commission funding has been taken in response to ICAI's recommendation. It is clear that the difficult political context around UK-EU relations has posed challenges for addressing this recommendation. Nevertheless, ICAI judges that the government could have done more within these constraints to give priority to engaging the European Commission on fraud oversight, especially as £534 million of UK aid is reported to have been spent through the EU in 2022.<sup>1</sup> ICAI therefore judges the government's response to this recommendation to be inadequate.

## Conclusion

It is very welcome that since this rapid review's publication, FCDO has taken substantive action to develop the building blocks for a portfolio approach to tackling fraud risk management, as this will add significant value to the department's work in this area. The department has also taken substantive steps to engage with MOPAN and a range of multilaterals on fraud issues. However, it has taken no action to strengthen its approach to managing fraud risks relating to aid delivered through the European Commission as there has been limited political will to challenge obstacles to securing this engagement. Overall, ICAI judges the response to this rapid review to be adequate. However action was inadequate in updating fraud risk assessment of UK aid spent through the European Commission, so we will return to recommendation 3 again next year.

<sup>1</sup> *Statistics on international development: provisional UK aid spend 2022*, Foreign, Commonwealth and Development Office, April 2023, p. 19, paragraph 9, [link](#).



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

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