



House of Commons  
International Development  
Committee

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**DFID's Performance in  
2008–09 and the 2009  
White Paper:  
Government Response  
to the Committee's  
Fourth Report of  
Session 2009–10**

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**First Special Report of Session  
2010–11**

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## International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for International Development and its associated public bodies.

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### Committee staff

The staff of the Committee are David Harrison (Clerk), Mick Hillyard (Second Clerk), Anna Dickson (Committee Specialist), Chlöe Challender (Committee Specialist), Ian Hook (Senior Committee Assistant), Vanessa Hallinan (Committee Assistant), and Nicholas Davies (Media Officer).

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## First Special Report

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On 11 March 2010 the International Development Committee published its Fourth Report of Session 2009-10, *DFID's Performance in 2008–09 and the 2009 White Paper*, HC 48-I. On 27 July 2010 we received the Government's Response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee's conclusions and recommendations are in bold text. The Government's response is in plain text.

## Appendix 1: Letter from Andrew Mitchell, Secretary of State, Department for International Development

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It was a pleasure to meet with the Committee on 15 July and set out the priorities and challenges for the Department.

I am conscious the Government's response to the Committee's report of 11 March "DFID's Performance in 2008-09 and the 2009 White Paper" was delayed by the election and is still outstanding.

The Committee's recommendations and comments have been noted and considered by officials. Most of the recommendations relate to the Public Service Agreements and Departmental Strategic Objectives covered in DFID's 2008-09 Annual Report, and policies from the 2009 White Paper, 'Eliminating World Poverty: Building Our Common Future'. As these are no longer statements of Government policy, it does not seem appropriate to provide a point reply.

The recommendations in paragraphs 24 and 29, however, relate to ongoing DFID anti-fraud and procurement systems. Responses to these points are provided in the attached note [see Appendix 2]. My Ministerial colleagues and I are taking a careful look at these systems to ensure they are as strong as possible.

I look forward to meeting with the Committee in due course, to update you on our progress against the objective I set out during the Session earlier this month.

27 July 2010

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## Appendix 2: Government Response

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### Tackling Fraud

**[Paragraph 24] We are concerned that DFID may not yet be taking the threat of fraud as seriously as it should. Indeed, there seems to be an over-reliance on staff reporting cases of fraud rather than DFID taking action to mitigate such risks before they arise. We recommend that, in response to this Report, DFID provide us with more information on the steps it is taking to ensure that it has a robust, consistent and strategic approach to fraud in all its country programmes and in all sectors in which it works.**

DFID is working actively to combat fraud and corruption both internally and with our partners. All allegations involving DFID funds must be reported to DFID's Internal Audit Department for investigation. DFID takes a robust approach with confirmed cases, including through disciplinary sanctions, criminal prosecutions and the suspension of aid where appropriate. Since substantial amounts of aid are channelled through multilaterals, we have oversight of their counter-fraud systems through our representation on their management boards and audit committees. We also work closely with the audit and integrity functions of our major partners to investigate allegations relating to UK funding. We also review and monitor the controls that DFID's other partners have in place, in particular the financial management capacity of civil society organisations.

DFID applies a range of controls and procedures to prevent fraud and corruption. We carry out Fiduciary Risk Assessments which include an explicit assessment of corruption risk. These are conducted against international benchmarks and are subject to independent scrutiny. DFID provides financial aid only where there is a credible programme to address weaknesses in public financial management (PFM). Where financial systems of partner governments are improving but do not yet represent best practice, we attach high priority to strengthening them, for example by improving effectiveness of budget planning, financial management information systems, and countries' supreme audit institutions. Public expenditure tracking surveys and extra short-term safeguards are used while PFM systems are being strengthened.

DFID also undertakes wider risk assessments of its country programmes and of individual projects in all sectors. Project management systems have a wide range of controls to prevent risks materialising including payment authorisation and procurement requirements, project monitoring, performance reviews and independent evaluations. These processes draw on expert sectoral advice, including on PFM and counter-fraud. All organisations in receipt of funding from DFID are required to provide audited financial statements to give independent assurance that funds are used for intended purposes.

DFID's Directors oversee corporate risk management processes and report on their effective operation to DFID's Accounting Officer (the Permanent Secretary), who is accountable to Parliament. The Permanent Secretary's Statement on Internal Control, provided alongside DFID's annual accounts, gives assurance on these systems. The National Audit Office also scrutinises DFID's accounts and financial management systems and conducts specific value for money studies. DFID's Internal Audit Department (IAD)

reviews and provides assurance on the effectiveness of DFID's controls, risk management and governance systems. IAD's work is overseen by an independent Audit Committee.

## Procurement

**[Paragraph 29] We welcome DFID's change of approach to procurement in that all its programme expenditure is now subject to proper procurement procedures rather than just the small part of the budget which direct procurement represents. DFID has indicated that improving these procedures is a work in progress. We would expect our successor committee to review progress on procurement practice when it looks at the next DFID Annual Report.**

DFID is continuing to make good progress with its Procurement Transformation programme; a new Operating Model and organisation structure is now in place in the procurement team and there is now a strong focus on enhancing commercial capability across the organisation. DFID recently completed its OGC 'Wave 2' Procurement Capability Review self-assessment, including a Peer Review by the Commercial Director of the Home Office, which provided positive feedback of the progress made while also usefully highlighting some of the key challenges ahead to maintain progress.