

DFID Management Response to Independent Commission for Aid Impact recommendations on:

DFID'S APPROACH TO ANTI-CORRUPTION

ICAI Recommendation	Action already taken	Action to be taken	Target date
<p>Recommendation 1: <i>In any country assessed as having a high risk of corruption, DFID should develop an explicit anti-corruption strategy, setting out an integrated programme of activities and dialogue processes.</i></p>	<ul style="list-style-type: none"> A number of DFID country programmes have already developed Anti corruption strategies with others under development. Each DFID country which provides General Budget Support has undertaken a Fiduciary Risk assessment which includes an assessment of corruption and action underway to mitigate this risk. A number of country programmes have also undertaken Country Governance Assessments which provide broader analysis of institutions in country, including the extent of, and vulnerability to, corruption. 	<ol style="list-style-type: none"> New strategy guidelines are under development by the Anti-corruption policy team, in collaboration with the Risk and Control Unit and Internal Audit, drawing on existing good practice from country offices. These will be tested and piloted in a selection of country programmes, ready for dissemination by April 2012. Central scrutiny team established to review all strategy documents to ensure that they meet minimum requirements and provide a consistent assessment of corruption across the programme. Anti-corruption strategies will be developed for the first batch of countries by July 2012 with coverage of all eligible DFID country programmes by July 2013. 	<p>April 2012</p> <p>February 2012</p> <p>July 2012</p>

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<p>Recommendation 2: <i>DFID should review the structure and nature of its UK counter-fraud and anti-corruption resources, to develop a more co-ordinated approach to risk assessment, risk management, anti-corruption programming and fraud response.</i></p>	<ul style="list-style-type: none"> • A new structure has been put in place mirroring the ‘three lines of defence’ model. A new Risk and Control Unit augments the Anti-Corruption Team as the second line of defence with the Internal Audit Department continuing to provide the third line of defence. • Liaison has increased substantially between all three units (RCU, AC and IAD) with a number of joint projects currently taking place (including delivery of fraud training and development of fraud and abuse risk assessments for the main funding modalities. • A Fraud and Risk Management Group has been created at Director level to set strategy and to integrate and co- 	<ol style="list-style-type: none"> 4. Identification of a Board level champion to lead and drive work in this area and support the work of the Fraud Risk Management Group, which will expand its role to co-ordinate all work on fraud and anti- corruption. 5. Deputy-Director led review (reporting to the Management Board) of the nature and structure of DFID’s existing counter fraud and anti-corruption work. This will encompass functions, capacity and capability to take this agenda forward in line with ICAI recommendations. The review will identify <ol style="list-style-type: none"> i) How to improve cohesion and co-ordination across the Department. ii) Whether and where additional resources are required iii) How increased capability can be disseminated across the organisation. iv) How to improve lesson learning and communication. 	<p>Dec 2011</p> <p>April 2012</p>

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	<p>ordinate work across the Corporate Centre (RCU, AC and IAD) with operational directorates with representation across all three lines of defence (i.e. also including operational directors)</p> <ul style="list-style-type: none"> • The Finance Improvement Plan (published in September 2011) identifies a number of key deliverables in relation to addressing fraud and corruption and this is augmented by a more detailed level plan for the Risk and Control Unit. • A strategy has been developed for the role out of 'Managing the Risk of Financial Loss' and key stakeholder training has been undertaken. 	<p>6. Implementation of the Treasury sponsored 'Managing the Risk of Financial Loss' programme, commencing with eight key areas: Multilateral payments; Bilateral Aid; grants to Civil Society Organisations; Humanitarian/Emergency aid; Loans; procurement Payroll and Travel and subsistence and overseas programmes.</p>	<p>March 2012</p>

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<p>Recommendation 3: <i>DFID should develop more articulated processes for managing the corruption risks associated with particular aid types and invest more resource in due diligence and on- the-ground monitoring of delivery partners.</i></p>	<ul style="list-style-type: none"> • Three new regional anti-corruption advisers have been identified and recruited to increase capacity in operational departments to enhance corruption risk management. • A research project is underway to explore the scope for measuring loss in different sectors and in different aid modalities. This will assist in developing risk management strategies in this area. • New guidelines are in place covering due diligence of civil society organisations. 	<p>7. Due diligence products will be developed to explicitly cover engagement at the country level with multilateral and other partners. This will complement the work already undertaken on Fiduciary Risk assessments (which cover Financial Aid) and on UK based Civil Society.</p> <p>8. This extended suite of due diligence products will enable DFID to assess the financial competence and the accounting and reporting capabilities of different organisations in advance of funding commitments.</p>	<p>Dec 2012</p> <p>Dec 2012</p>

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<p>Recommendation 4: <i>While continuing to invest in the legal and institutional framework for fighting corruption, DFID should focus on supporting more robust law enforcement activity to build transparency and accountability. This should include innovative forms of beneficiary monitoring and community mobilisation.</i></p>	<ul style="list-style-type: none"> • A number of country programmes have provided support to law enforcement agencies but the impact has been affected by acute resource constraints, low levels of institutional capacity and variability in the political will to make progress. Good examples include support to the Economic and Financial Crimes Commission in Nigeria and specialist assistance to Uganda covering investigation and prosecution of cases of grand corruption. • Action already underway to disseminate more widely the breadth of activities in this area through newly developed information platforms on empowerment and accountability. These will include the Public Policy 	<p>9. The anti-corruption strategies will explicitly consider additional actions covering both law enforcement and beneficiary monitoring and community mobilisation.</p> <p>10. DFID will work more systematically across Whitehall to ensure that country programmes can access key technical resources from across Government. The feasibility of building on existing cross Government arrangements is being explored. This will systematise and deepen existing working relationships with relevant UK agencies, such as the National Audit Office, Serious Organised Crime Agency, Serious Fraud Office, Crown Prosecution Service, and the Metropolitan Police & City of London Police. This will enable country programmes and partner countries to access relevant technical skills where appropriate.</p>	<p>July 2012</p> <p>April 2012</p>

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	<p>Information Monitoring and Advocacy programme in Rwanda which supports citizen monitoring using community scorecards. In Andhra Pradesh, India DFID is supporting social audits of the National Rural Employment Guarantee Programme involving civil society organisations and beneficiaries.</p>	<p>11. Using established information platforms (new Empowerment and Accountability resource network and the existing anti-corruption resource centre), we will garner and consolidate best practice on community level beneficiary monitoring, including undertaking new research and evidence gathering, and making this available to country offices.</p>	<p>Apr 2012</p>
<p>Recommendation 5: <i>DFID should invest more in intelligence collation and analysis of corruption risks in particular sectors and countries, to inform a more strategic approach to fighting corruption.</i></p>	<ul style="list-style-type: none"> Internal Audit Department (IAD) has recruited specific accountancy specialist to focus our fraud audit work on high risk areas and has also recently (September 2011) secured a full time Serious Organised Crime Agency (SOCA) implant contributing to the 	<p>12. Pilot Strategic Intelligence Threat Assessments: at country level to inform our programmes of major threats. This will contribute to our country level corruption assessments. Our learning from this pilot will inform how useful this approach is; resources needed; and how to institutionalise the process with our partners.</p>	<p>May 2012</p>

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	<p>professionalisation of our counter fraud agenda and skills.</p> <ul style="list-style-type: none"> • IAD have renewed the focus on intelligence appraisals for key risks, and have started work on two high profile areas in collaboration with UK and International Counter Fraud Partners. • Sector specific guidance on corruption risks in the health sector and the education sector has been produced. 	<p>13. Pilot a name verification system: to assess whether our partners have recorded links with organised crime or have outstanding fraud related issues at country programme level through using 'Know Your Partner' approaches.</p> <p>14. Development of Information sharing agreements with international development partners and key UK organisations (e.g. Charities Commission) to share counter fraud related case material and intelligence on sectors/targets.</p> <p>15. Creating intelligence/ learning from our fraud cases/control failures to inform our risk control systems: we are currently undertaking a lesson learning process exercise on all our closed cases covering the last three years and introducing a new information management system for case management and intelligence appraisal/analysis.</p>	<p>June 2012</p> <p>Feb 2012</p> <p>May 2012</p>