

## Progress report on implementing Independent Commission for Aid Impact recommendations on: DFID'S APPROACH TO ANTI-CORRUPTION

March 2012

ICAI Recommendation	Action specified in Management Response	Target date	March 2012 update
<p><b>Recommendation 1:</b> <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>	<p>1. 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.</p>	<p>April 2012</p>	<p>1. <b>On track.</b> Draft guidance has been <b>completed</b> and will be disseminated in March 2012 for implementation by country offices. Nepal, Pakistan, Tanzania and Yemen will be early adopters of the new strategies and their feedback will further strengthen the guidance and support other country offices in their strategy development.</p>
	<p>2. 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.</p>	<p>Feb 2012</p>	<p>2. <b>Completed.</b> Agreed that all country strategies will be reviewed and approved by Regional Directors, with a sample to be benchmarked centrally by the anti-corruption coherence and co-ordination group, called Cx3.</p>
	<p>3. 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>	<p>July 2012</p>	<p>3. <b>On track.</b></p>

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<p><b>Recommendation 2:</b> <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>	<p>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.</p> <p>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</p> <ul style="list-style-type: none"> <li>i) How to improve cohesion and co-ordination across the Department.</li> <li>ii) Whether and where additional resources are required</li> <li>iii) How increased capability can be disseminated across the organisation.</li> <li>iv) How to improve lesson learning and communication.</li> </ul> <p>6. Implementation of the Treasury sponsored 'Managing the Risk of Financial Loss' programme, commencing with eight key areas: Multilateral payments; Bilateral Aid;</p>	<p>Dec 2011</p> <p>April 2012</p> <p>March 2012</p>	<p>4. <b>Completed.</b> Mark Bowman (Director General) is the Board Level Champion.</p> <p>5. Review <b>completed.</b> Findings to be presented to the Management Board on the 29<sup>th</sup> March to address all identified issues.</p> <p>6. <b>On track.</b> The first phase of the MRoFL programme has been initiated, looking at a number of processes on the basis of value</p>

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	grants to Civil Society Organisations; Humanitarian/Emergency aid; Loans; procurement Payroll and Travel and subsistence and overseas programmes.		and risk (multilateral, humanitarian, procurement, payroll, expenses) and will be completed by end of March. A programme is currently being developed for 2012/13 to ensure the capture of all DFID financial processes.
<p><b>Recommendation 3:</b> <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>	<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>	<p>7. <b>On track.</b> This critical work stream will be a 2012 priority building on the due diligence products that are already available.</p> <p>8. See above.</p>

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<p><b>Recommendation 4:</b>  <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>	<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 &amp; City of London Police. This will enable country programmes and partner countries to access relevant technical skills where appropriate.</p> <p>11. Using established information platforms (new Empowerment and Accountability resource network and the existing anti-</p>	<p>July 2012</p> <p>April 2012</p> <p>Apr 2012</p>	<p>9. <b>Completed.</b> Guidance contains advice on incorporating beneficiary monitoring into programme design. As strategies are developed, we will have a clear picture of the actions that need to be taken forward.</p> <p>10. <b>On track.</b> Framework Agreement became live on 1 March. This provides an expeditious mechanism for country offices to secure external advice.</p> <p>Financial Accountability and Anti-corruption team (FACT) is also exploring the possibility of linking with DFID's iFUSE (Investment Climate facility to utilise UK specialist expertise) framework which provides call-down arrangements with a range of UK government agencies.</p> <p>11. <b>Completed.</b> FACT and the Empowerment &amp; Accountability team have done a preliminary</p>

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	<p>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>mapping (via U4) on existing evidence and practice on beneficiary monitoring. This will provide the grounding for developing information platform for country offices.</p>
<p><b>Recommendation 5:</b> <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>	<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>13. Pilot a name verification system: to assess whether our partners have recorded links with organised crime or have outstanding fraud related issues at</p>	<p>May 2012</p> <p>June 2012</p>	<p>12. <b>On track.</b> Pilot in progress. Collection plans in place. Country visits confirmed for mid April.</p> <p>13. <b>On track.</b> Pilot in progress. Country visits confirmed for mid April.</p>

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	<p>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>Feb 2012</p> <p>May 2012</p>	<p>14. <b>On track.</b> Two ISA's ready for signature. Several more in progress to be finalised by end March. Good progress has been made.</p> <p>15. <b>On track.</b> Option paper will be presented to the next Small Projects Board on the introduction of a new case management system.</p>

NB. We will not report on completed actions in future progress reports.