

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

DFID'S APPROACH TO ANTI-CORRUPTION, November 2011

ICAI recommendation 1 – management response actions 1 and 2 are complete
 ICAI recommendation 2 – management response actions 4 and 5 are complete
 ICAI recommendation 4 – management response actions 9 and 11 are complete

ICAI Recommendation	Accept/Partially Accept/Reject	Action specified in Management Response	Target date	September 2012 update
<p>Recommendation 1: 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</p>	<p>Accept</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 (first batch) Jan 2013 (remainder)</p>	<p>On track. 4 Countries have produced anti-corruption strategies; Tanzania, Nigeria, Pakistan and Nepal. Remainder will have strategies in place by end January 2013.</p>
<p>Recommendation 2: 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</p>	<p>Accept</p>	<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;</p>	<p>March 2012</p>	<p>Complete 'Managing Risk of Financial Loss programme for 2011/12 completed and report sent to the Audit Committee.</p>

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management, anti-corruption programming and fraud response.		Humanitarian/Emergency aid; Loans; procurement Payroll and Travel and subsistence and overseas programmes.		
<p>Recommendation 3: 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.</p>	Accept	<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>On-Track Draft guidance has now been developed and is being tested as part of a number of country office pilots running between August and October 2012. Guidance will then be updated to reflect 'lessons learned' before roll-out across DFID.</p> <p>On-Track – please see comments to point 7 above.</p>
<p>Recommendation 4: While continuing to invest in</p>	Accept	10. DFID will work more systematically across	April 2012	<p>Off-track: The Financial Accountability and</p>

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<p>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.</p>		<p>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>Anti-Corruption Team (FACT) has discussed the inclusion of anti-corruption support through the new iFUSE initiative (which enables systematic access to Whitehall expertise in some limited areas). The iFUSE initiative has agreed to consider extending to anti-corruption theme after 1 year (early 2013). Meanwhile, discussions are proceeding encouragingly with HMRC on a structured system for supply of tax expertise. Discussions are imminent with Crown Prosecution Service on provision of legal expertise.</p>
<p>Recommendation 5: DFID should invest more in intelligence collation and analysis of corruption risks in particular sectors and</p>	<p>Accept</p>	<p>12. Pilot Strategic Intelligence Threat Assessments: at country level to inform our programmes of major threats. This will contribute to our</p>	<p>May 2012</p>	<p>Complete Strategic Intelligence Assessments piloted in two country contexts. Lessons learned paper now being</p>

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countries, to inform a more strategic approach to fighting corruption.		<p>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 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</p>	<p>June 2012</p> <p>Feb 2012</p> <p>May 2012</p>	<p>developed to capture successes, opportunities and challenges which will inform future pathways.</p> <p>Complete Pilot completed in two country contexts. Lessons learned paper now being developed to capture successes, opportunities and challenges which will inform future approaches.</p> <p>Complete Four Information Sharing Agreements secured with key partners and UK Law Enforcement Agencies. We will continue to work to develop further agreements to improve the flow of information and intelligence.</p>

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		<p>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>Complete An Action Plan has been produced following an independent Case and Intelligence Management review. Procedures have been improved and strengthened and further supported by the introduction of new information management system.</p>