



ICAI Follow up: DFID's Approach to Anti-Corruption

1. We examined how DFID responds to the challenge of providing aid in countries with high risk of corruption. This was a particularly important issue in the context of the UK Government's decision to increase the proportion of the aid budget being spent in fragile and conflict-affected states, thereby exposing taxpayers' money to greater risk.
2. We found that some areas of DFID's approach were performing positively, especially on awareness of threats from fraud and corruption, its playing a leading role within the donor community and good examples of lesson learning. Overall, however, we found that DFID's organisation of responsibilities for fraud and corruption was fragmented and that this inhibited a coherent and strategic response to the issue of leakage.
3. Our key recommendations focussed on addressing the risk of fraud through explicit anti-corruption strategies for countries with a high risk of corruption; due diligence and monitoring of delivery partners, intelligence gathering and work with law enforcement agencies; and encouraging DFID to review the structure and nature of UK counter-fraud and anti-corruption resource and processes.
4. DFID has taken a proactive approach to its response to our report, implementing far-reaching changes to the way it does business. Board level leadership has ensured a high level of engagement in driving this agenda and significant amount of effort and resource has been put into both addressing the recommendations and identifying better practice in general.
5. DFID undertook an assessment of the nature and structure of its existing counter-fraud and anti-corruption work, which led to the creation of 12 work streams which are overseen by the new Counter Corruption and Counter Fraud Group. Furthermore, DFID has gone beyond our recommendations in several areas. As a result, DFID staff working in-country on governance and financial management have received anti-corruption training with the goal of certification.
6. In February 2013, DFID published 29 anti-corruption country strategies on its website. We have examined a sample of these strategies and believe that they are of a good standard and have been well thought through. The publication of the strategies encourages country level engagement with the issue of corruption and also prepares staff to be better equipped to deal with allegations when they arise. We saw an example of this in India, where the DFID office responded well to an allegation of corruption in the Madhya Pradesh Health Department.
7. DFID action in response to our report to date is welcome. We do, however, believe that further work in response to our recommendations is

desirable. First, DFID has made progress on its processes in regard to due diligence and monitoring but the lack of on-the-ground monitoring of delivery partners increases the risk of corruption. Second, while we recognise that there has been progress on the involvement of law enforcement agencies, currently this effort is focussed within the UK. This is useful but tackling corruption in-country through local institutions and law enforcement agencies should increase the capacity of those institutions as well as reducing the risks.

8. Overall, DFID's actions have changed the culture and preparedness of country offices to tackle corruption for the better. Evidence suggests that this is already having an impact on the ground, where corruption reporting has increased and staff have told us that they feel more confident that they know what to do should a situation arise. We look forward to coming back to revisit anti-corruption activity undertaken by the department as part of our Year 4 work programme..