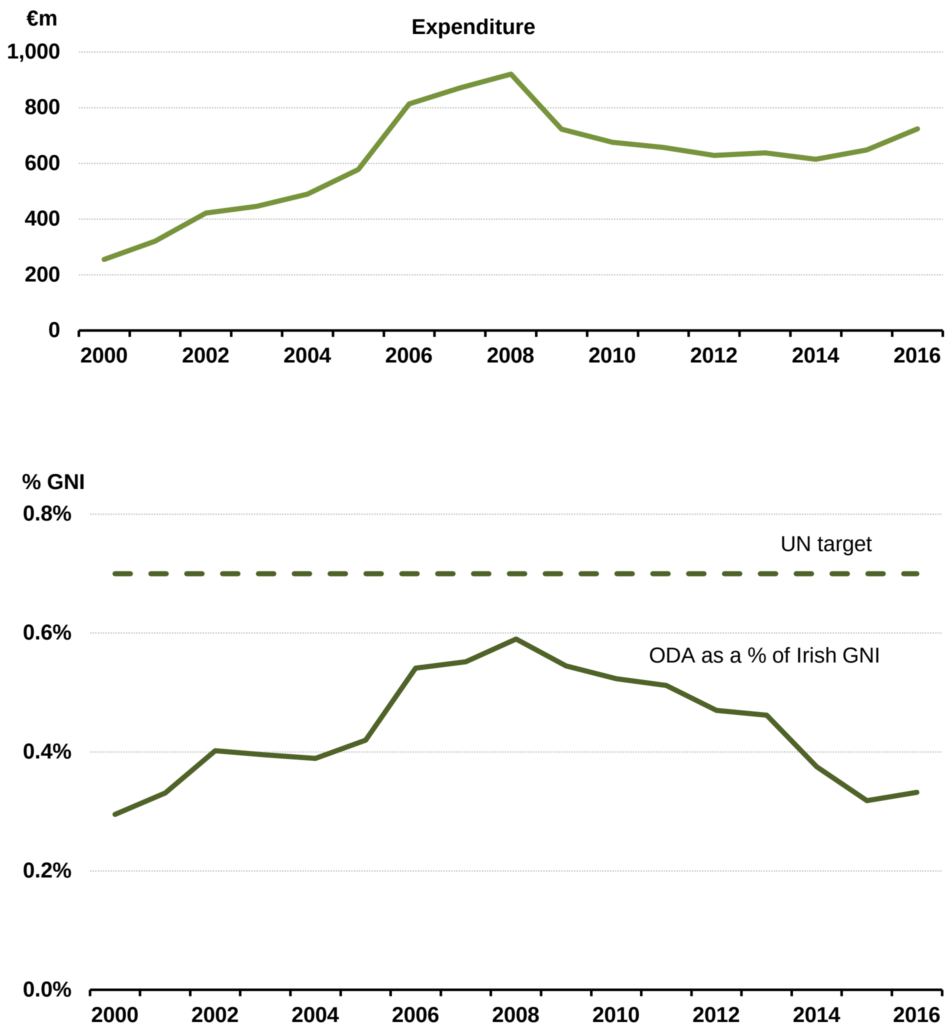
14 Control of Ireland's Bilateral Assistance Programme

14.1 Official development assistance (ODA) is the transfer by the State of funds for the promotion of economic development and welfare of developing countries.

14.2 Irish Aid is the Government's main programme for ODA, funded under Vote 27 International Co-operation. The programme is managed by the Development Co-operation Division (DCD) of the Department of Foreign Affairs and Trade (the Department).

14.3 Irish ODA totalled €724 million in 2016 (see Figure 14.1). While still lower than the peak level in 2008 (€921 million), Irish ODA in 2016 was up 12% year on year, and at its highest level since 2008.

Figure 14.1 Irish Official Development Assistance, 2000 to 2016



Source: Expenditure — Irish Aid Annual Reports. %GNI — the Organisation for Economic Co-operation and Development (OECD).

14.4 In 1970, the United Nations (UN) set a target for developed countries to contribute ODA equivalent to 0.7% of their Gross National Income (GNI) each year.[1] In 2005, the EU Council set a specific objective for member states to reach the UN target by 2015.[2] Ireland has not succeeded in meeting the EU objective to date but, in line with EU Council conclusions in 2015, has made a new commitment to meet the target of 0.7% of GNI by 2030.[3]

1 UN General Assembly Resolution 2626 (XXV), 24 October 1970.

2 Council of European Union Meeting No. 2660, External Relations Council, Brussels, 24 May 2005.

3 *2030 Agenda and the Sustainable Development Goals* adopted by world leaders at the UN Summit in New York in September 2015.

14.5 Ireland's ODA increased from 0.3% of GNI in 2000 to a high of 0.59% in 2008, before falling back to its current level of 0.33% (see Figure 14.1).[4] As a result, Ireland ranked number 13 (jointly with Spain) out of 35 OCED countries in terms of its pro rata contribution.[5]

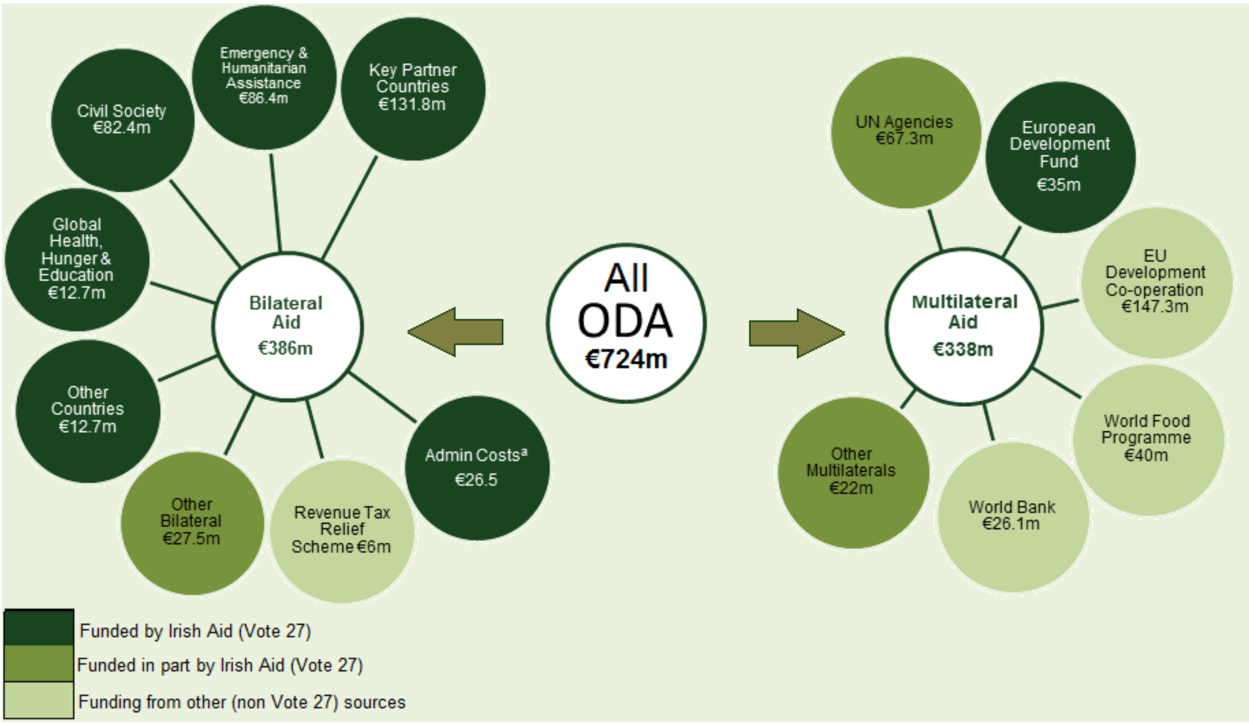
4 Annex 14A shows ODA spending as a percentage of GNI by OECD donor countries in 2016.

5 UN summit for the adoption of post-2015 development agenda 2 August 2015.

14.6 Irish ODA funding is applied under two main categories of assistance (see Figure 14.2)

- **Multilateral assistance (€338 million/47%)** — this involves contributions to international agencies, institutions or organisations that pool contributions from their member countries and apply them for development purposes.
- **Bilateral assistance (€386 million/53%)** — this involves the provision of direct assistance to a developing country through a variety of channels, including governments of developing countries, non governmental organisations (NGOs), international agencies, and partnerships with private agencies and missionary societies.

Figure 14.2 Overview of Ireland's ODA in 2016



Source: Department of Foreign Affairs and Trade

Notes: a Vote 27 administration costs include salaries of staff at Irish Aid HQ and in key partner countries, consultancy fees to provide technical expertise and independent evaluation, travel cost and chancery/residence costs.

b Humanitarian interventions receive funding directly through emergency and humanitarian assistance budgets. An additional €90 million is channelled into humanitarian intervention via organisations funded under bilateral and multilateral budgets.

c Amounts paid from Vote 30 Agriculture, Food and the Marine to the World Food Programme in 2016 include a prepayment of €20 million for 2017.

14.7 About two thirds of Ireland's ODA in 2016 is accounted for through Vote 27. The remainder arises from

- Ireland's share of the EU development co-operation budget
- Ireland's contribution to the World Food Programme, the World Bank and other multilateral organisations
- payments to international bodies by other departments.[1]

2012 Uganda fraud

14.8 In October 2012, the Auditor General in Uganda reported on the misappropriation of €11.6 million of donor funding intended for the Northern Uganda Peace, Recovery and Development Plan.[2] A total of €7.25 million had been contributed by Irish Aid to the Government of Uganda in support of the Plan, of which €4 million had been misappropriated. The Irish Government announced a suspension of all Irish Aid funding channelled through the Government of Uganda following the Auditor General's report. In December 2012, €4 million was recouped from the Ugandan Government.

14.9 The Department's Evaluation and Audit Unit (Audit Unit) investigated the misappropriation of funds and carried out a complete review of the internal controls and risk management systems operated by the Department in relation to all of the key partner countries.[3] The Assessment of Internal Control and Risk Management Systems in Key Partner Countries Synthesis Report (Synthesis report) was published by the audit unit in February 2014.

14.10 This report considers

- the control systems in place in respect of bilateral assistance provided under Vote 27, and
- improvements in the Department's administrative procedures for bilateral assistance following the fraud in Uganda.

14.11 This examination included a site visit to the Irish embassy in Uganda. The examination looked at the implementation of new Departmental guidelines relating to the selection of projects and how they are monitored, audited and evaluated.

1 Contributions to ODA are made by the Department of Finance; the Department of Communications, Climate Action and Environment; the Department of Agriculture, Food and the Marine, among others, (accounted for on their respective votes); and repayments by the Revenue Commissioners in respect of the Tax Deductibility Scheme for donation to relevant charities.

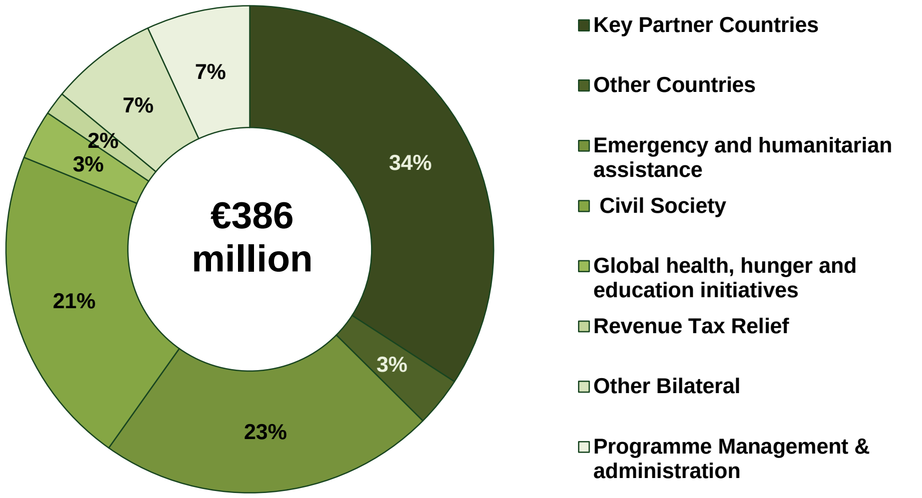
2 The *Peace, Recovery and Development Plan* is a development framework formulated by the Government of Uganda and implemented by the Office of the Prime Minister, as a strategy to eradicate poverty and improve the welfare of the people of Northern Uganda. It received donor funding from Ireland, Sweden, Denmark, and Norway.

3 Key partner countries are countries where Irish Aid have formal arrangements with the government for sustained long term development assistance.

Bilateral assistance

14.12 Figure 14.3 shows the breakdown of Ireland's bilateral assistance in 2016.

Figure 14.3 Overview of bilateral assistance 2016



Source: Department of Foreign Affairs and Trade

Note: a Other Countries are countries where Irish Aid provided support via the embassy without entering a formal partnership with the government of the country.

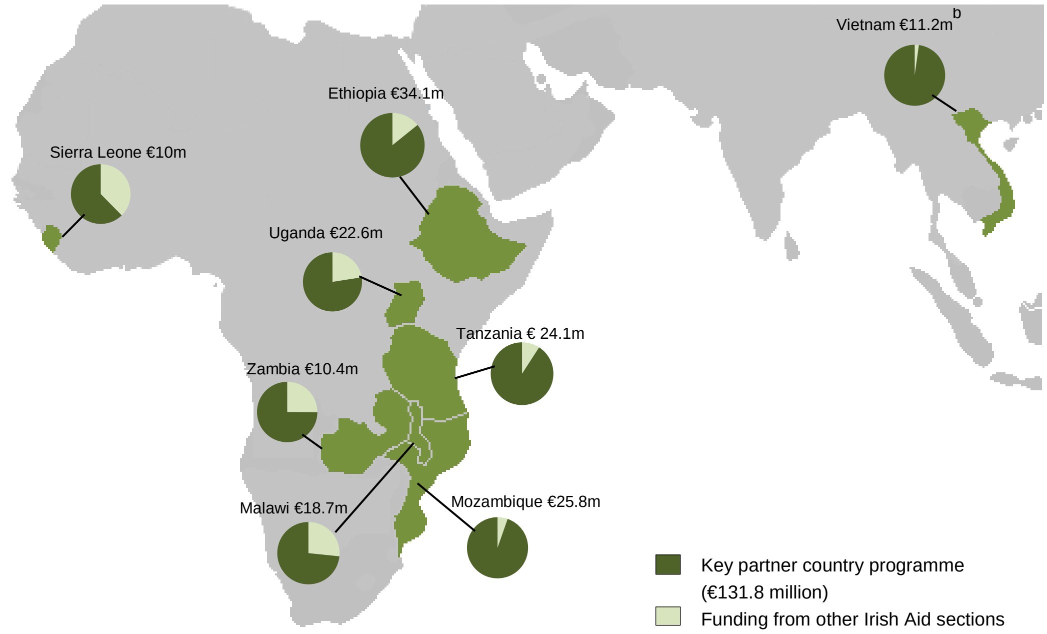
14.13 Irish Aid targets certain countries and programme priorities in allocating its bilateral assistance so as to concentrate its effectiveness. When deciding the appropriate channel through which to deliver assistance, factors considered include political environment and type of assistance required within the country.

Key partner countries

14.14 Ireland has long term strategic partnerships with the governments of eight selected key partner countries to help support them in development and poverty reduction programmes. Development assistance provided under these partnerships is managed primarily by the Irish embassies in the key partner countries in conjunction with Irish Aid headquarter units and is designed to align with the partner governments' national development plans. The embassies also work with and may fund civil society organisations, NGOs and multilateral agencies in the target countries by providing grants to deliver agreed programmes of work.

14.15 Funding may also be transferred to partner countries via Irish Aid funded civil society and humanitarian partners. Figure 14.4 shows the total bilateral assistance provided to each of Ireland's key partner countries in 2016 directed through the embassies (€131.8 million), and via Irish Aid funded civil society and humanitarian partners (€25.1 million).

Figure 14.4 Total bilateral assistance transferred to key partner countries in 2016[a]



Source: Department of Foreign Affairs and Trade

Note: a Figures are shown net of administration costs.

b Embassy in Vietnam managed funding for Vietnam, Cambodia and Laos (included in total).

Country strategy plan

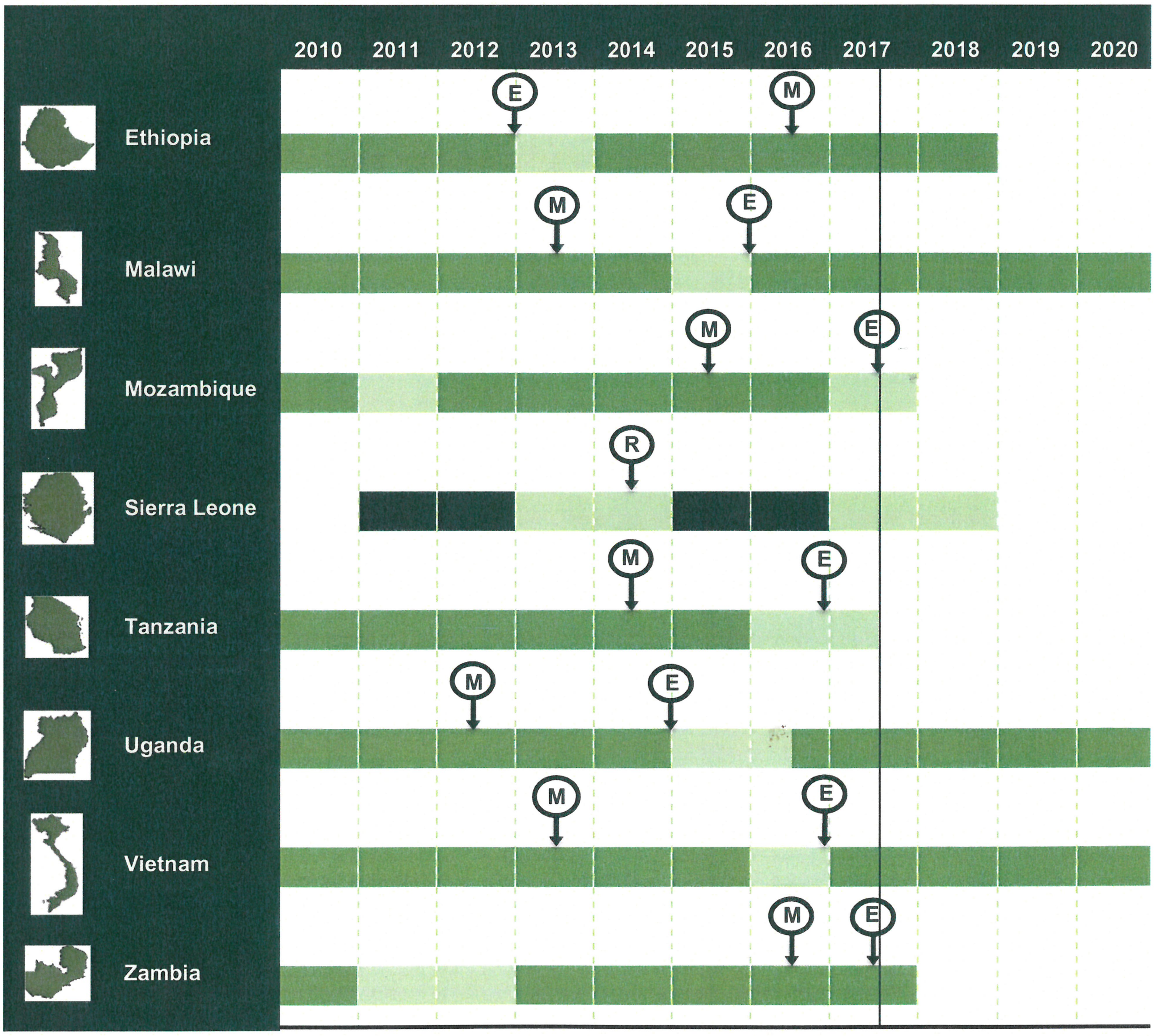
14.16 A five year country strategy plan is designed for each of the key partner countries.[1] This outlines a framework that proposes how an embassy in a partner country will accomplish a set of specific outcomes. The plan also includes provision for a mid-term review and end-of-strategy evaluation. The mid-term review is conducted by the embassy in coordination with the Department's Africa Unit. The end-of-strategy evaluation is organised and managed by the Audit Unit. In some cases the evaluations are carried out by external consultants, who are managed by the Audit Unit and in other cases they are carried out by the Audit Unit with support from external consultants.

14.17 A review of the country strategy plans for each of the eight key partner countries noted that five of the key partner countries strategies were in date as at June 2017. The Department had extended the current strategy in three countries, as a new strategy was not ready for implementation. Figure 14.5 summarises the position in respect of each key country strategy since 2010.

1 A transitional strategy operates for Sierra Leone as the country is transitioning from post conflict to development.

14.18 The Department has stated that given the environment that some of Ireland's partner countries operate in, circumstances can change radically during the planning processes for country strategy plans. Economic downturns, government elections and natural disasters can require adjustments to the Department's approach in a particular country. The Department has also stated that country strategy mid-term reviews can often recommend that approaches should change in response to local circumstances, which may lead to delays in finalising new plans.

Figure 14.5 Country strategy plans for key partner countries



	Country Strategy		Extension Period to Country Strategy		Transitional Strategy
M	Mid term review	E	End of strategy review conducted	R	Review conducted

Source: Department of Foreign Affairs and Trade

Developments following Uganda fraud

14.19 The Audit Unit's Synthesis report set out nine recommendations in relation to the systems operated in key partner countries. An assessment of the progress made in relation to the recommendations of the report was made during this examination and is presented in Figure 14.6.

Figure 14.6 Implementation of the recommendations made in the Synthesis report as at June 2017

1	Formal management systems to be fully established in all partner countries.	Significant progress made
2	Risk identification and reporting should be aligned with Department's risk management system.	Significant progress made
	Emphasis to be given to identifying ownership of risk and the internal controls in place.	Significant progress made
3	A flow of funds for all grant partners should be prepared.	Significant progress made
4	Contractual agreements with partners including memorandum of understanding to be standardised.	Significant progress made
	Appropriate training for staff on the preparation and management of contractual agreements and memorandum of understanding should be provided.	Significant progress made
5	Review of appropriate staffing complements should be carried out as part of the preparation of each Country Strategy Plan with clear identification of skills required.	Some progress made
	Key senior mission staff should have the skills needed to manage significant budgets and risks.	Some progress made
	Appropriate risk training to be provided to key senior mission staff.	Significant progress made
6	Introduce policy to minimise the length of staff vacancies.	Significant progress made
	Review salary levels policy for local staff.	Significant progress made
7	Formal management training to be designed for staff designated for posting to key partner countries.	Some progress made
8	Roles and responsibilities relevant to management and implementation of aid programme to be clarified, with a particular emphasis on decision making.	Significant progress made
9	Internal auditors work at country level to be reviewed and included in the audit unit work programme.	Significant progress made
	Reporting structures to be clarified.	Significant progress made

Source: Analysis by the Office of the Comptroller and Auditor General

Key: ● Significant progress made
● Some progress made

Grant management procedure

14.20 One of the areas of concern raised in the Synthesis report was a lack of consistency in grant management procedures between the different sections and missions of Irish Aid. In order to address this, a new common procedure for grant management was developed.[1] The procedure document sets out the required and recommended actions to be taken, the information and documentation that must be available to identify, design, appraise, approve, pay and monitor, and close a grant award. The procedure prompts managers and decision makers to consider all potential projects, partners, and funding decisions from the perspective of risk, results, and financial accountability. The main elements of the new procedures are set out in Figure 14.7.[2]

1 *Standard Approach to Grant Management,* Department of Foreign Affairs and Trade, January 2016.

2 Appendix 14B shows a timeline of all changes implemented by the Department following the 2012 Ugandan fraud.

Figure 14.7 Key elements of the grant management procedure

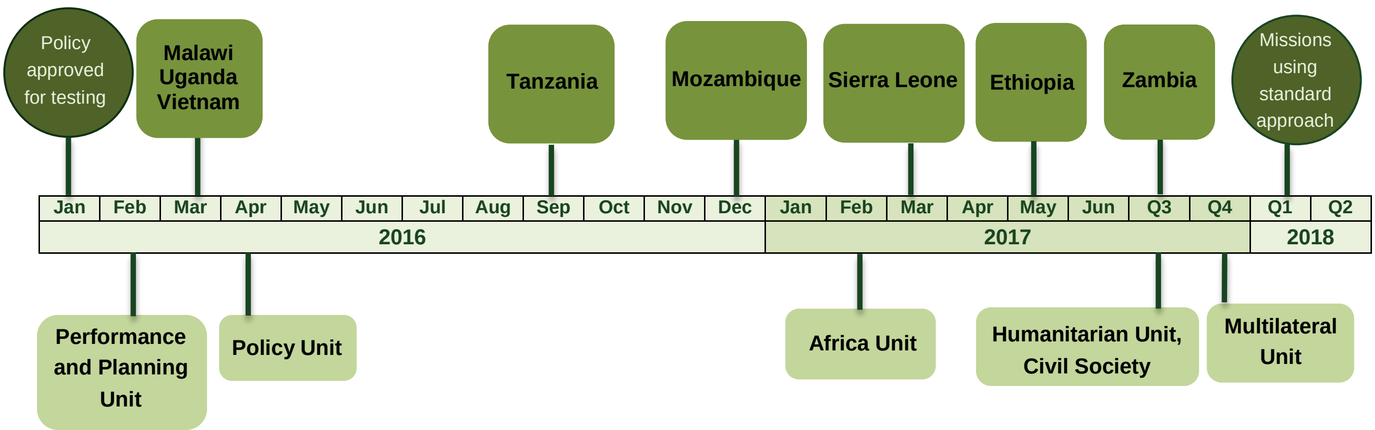
The procedure sets out a standard approach to grant management. It provides guidance on the required actions to be taken at all stages and includes supporting templates. Managers are required to consider risk, results, and financial accountability when undertaking actions in respect of

- identification of programme/project/partnerships with new or existing partners
- design and development — gathering information relating to project and partner
- appraisal — of the project and budget, the partner and risk
- approval — of the grant award by the appropriate authority
- implementation — exchange of agreements with partners, payment processing, monitoring of performance and learning
- closure — the provision of a final account of expenditure and results achieved.

Source: Department of Foreign Affairs and Trade

14.21 The Department commenced the roll out of the grant management procedure in 2016 (see Figure 14.8). The expected time-line for the conclusion of the testing and roll out is quarter one 2018. As part of the roll-out and testing process, a series of meetings, training and support trips have been undertaken. The purpose of these is to help mission teams identify the changes needed to various elements of their current procedures to align with the new grant management procedure.

Figure 14.8 Overview of grant management procedures roll out



Source: Department of Foreign Affairs and Trade

14.22 Embassies in key partner countries work with partner organisations to deliver assistance in programme countries. Potential partners are appraised to assess their ability to deliver the required assistance. Following a positive appraisal and approval of the decision to award a grant, the embassy signs an agreement with the partner which sets out the terms associated with the funding provided and includes key performance indicators which assist with monitoring and evaluation of the project. Any risks identified are included in the project’s risk register.

14.23 The grant management procedure requires that a potential partner's organisational capacity is considered alongside the quality of the project itself. Where the proposed implementing partner is a central government ministry or office, information is drawn from the public financial management assessment undertaken as part of the mission strategy planning process.

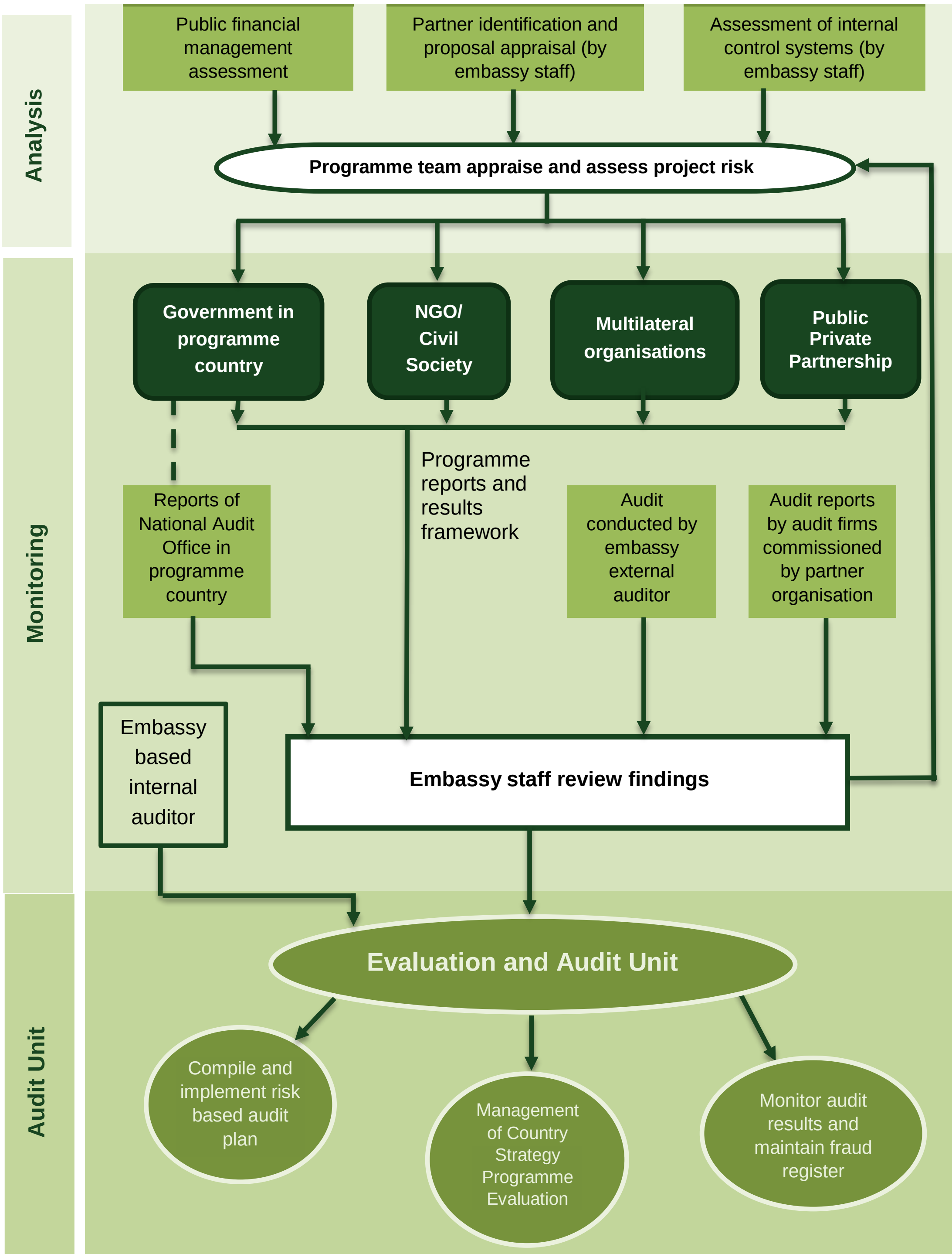
Controls and assurance structures

14.24 Figure 14.9 sets out the control and assurance regime in place in respect of funding provided to key partner countries.

14.25 Analysis undertaken prior to funding includes consideration of the organisation's structure and performance with a view to determining its capacity to deliver results, manage and account for monies received, and manage risk. Information on the organisation performance and capacity is drawn from various sources. Performance monitoring is based on a series of actions and instruments, including partner submitted financial and narrative reports, audit reports, and site visits conducted by Irish Aid staff.

14.26 The Department has revised its assurance process for the Irish Aid programme since the Ugandan fraud in 2012. The Audit Unit is moving to a new risk-based audit programme, with an increased emphasis on internal control to manage key risks and compliance with the Department’s approved policies. Under the revised process there is more emphasis on the prefunding assessment, the approach to monitoring and evaluating projects and the systematic review of external audit findings. The work of the internal auditors in key partner countries is included in the overall risk based audit plan and they now report directly to the Audit Unit.

Figure 14.9 Irish Aid key partner country controls model



Source: Office of the Comptroller and Auditor General

Visit to Uganda

14.27 The examination team conducted an inspection of the control systems in place in the embassy in Uganda. The embassy was selected for review because a new country strategy programme for Uganda was implemented in 2016, and the embassy is an early adopter of the new grant management procedure. Uganda has also received increased humanitarian assistance through both the key partner country programme and through civil society NGOs as a result of the influx of refugees from South Sudan.[1] The site visit to Uganda included a visit to the Parlorinya refugee settlement in Moyo in Northern Uganda. Irish Aid provides assistance funding for the settlement through the Irish embassy in Uganda and through humanitarian partners.

14.28 The embassy in Uganda provides assistance in six sectors — education, humanitarian assistance, combatting domestic violence, combatting HIV and AIDS, social protection and improving governance. Five projects selected from across the sectors were reviewed by the examination team to establish how the project partners were selected, and how the projects are monitored, audited and evaluated. Figure 14.10 highlights the key findings of the review.

14.29 In all cases, assessments of potential project partners had been carried out. One aspect of the assessment is to highlight weaknesses in the partner organisation and identify potential areas of risk. In all of the projects reviewed as part of the examination, weaknesses or risks were identified as part of the initial assessment. While risk registers were developed for all partners and mitigating strategies were developed, there was no evidence that mitigating actions were required in the memorandum of understanding and annual agreements exchanged with the chosen partners.

14.30 In response to the findings of the Ugandan Auditor General’s report in 2012, Irish Aid suspended funding channelled through the Government of Uganda. The Department indicated that government financial systems in the main would not be used to deliver Irish Aid. However, the new country strategy programme for Uganda notes that government financial systems can be utilised to support accountability institutions which will be evaluated during the assessment phase. The examination team noted that in one of the five projects reviewed, funding was provided to government agencies through funding partner organisations. The Department has indicated that in such cases, the partner organisation is responsible for providing assurance and monitoring the grant. Prior to the mid term review, a public financial management assessment will be conducted to decide if there will be a phased return to using government systems.

1 Karamoja in Northern Uganda receives the majority of Irish Aid funding. A permanent Irish Aid office and members of staff are based in the region to allow for increased monitoring of funding.

Figure 14.10 Key findings of reviews

Name of project	The Karamoja primary education programme	Strengthen capacity and increase social protection beneficiaries	Gender based violence joint programme in Busoga	Prevention of HIV and AIDS in the communities of Karamoja	Addressing democracy and governance deficits
Value of assistance committed	€13 million (4 years)	€15 million (5 years)	€1 million (2 years)	€8.9 million (5 years)	€2.7 million (1.5 years)
Project included under country strategy	2010 to 2014	2016 to 2020	2010 to 2014	2016 to 2020	2016 to 2020
MOU and annual contract are in place	✓	✓	✓	✓	✓
Annual contract includes schedule of payments, corporate governance requirements, KPIs and details of project manager	✓	✓	✓	✓	✓
Weaknesses highlighted in pre-funding assessment were incorporated into MOU or contract	**X**	**X**	**X**	**X**	**X**
All payments are made in line with the Department's financial control procedures	✓	✓	✓	✓	✓
Funds distributed to government agencies through Irish Aid partner organisations	**No**[a]	**No**[b]	**No**[a]	**No**	**Yes**
Evidence that external audits for all projects had been reviewed and issues arising had been monitored	✓	✓	✓	✓	✓
Regular reports received from partner on progress of project	✓	✓	✓	✓	✓
Any reported misappropriation of funds	**No**	**Yes**	**No**	**Yes**	**Yes**
Tender competitions were conducted and evidence was available of results	✓	✓	**n/a**	**n/a**	**n/a**
Assessment of project was conducted by lead donor (not Irish Aid) and evidence of review by embassy staff was on file.	**n/a**	**n/a**	**n/a**	**n/a**	**Yes**
Third parties conducted the assessments of partner organisation	**n/a**	**n/a**	**Yes**	**n/a**	**n/a**

✓ **Findings agree with statement** **X Findings did not agree with statement** **n/a Not applicable**

Source: Analysis by the Office of the Comptroller and Auditor General

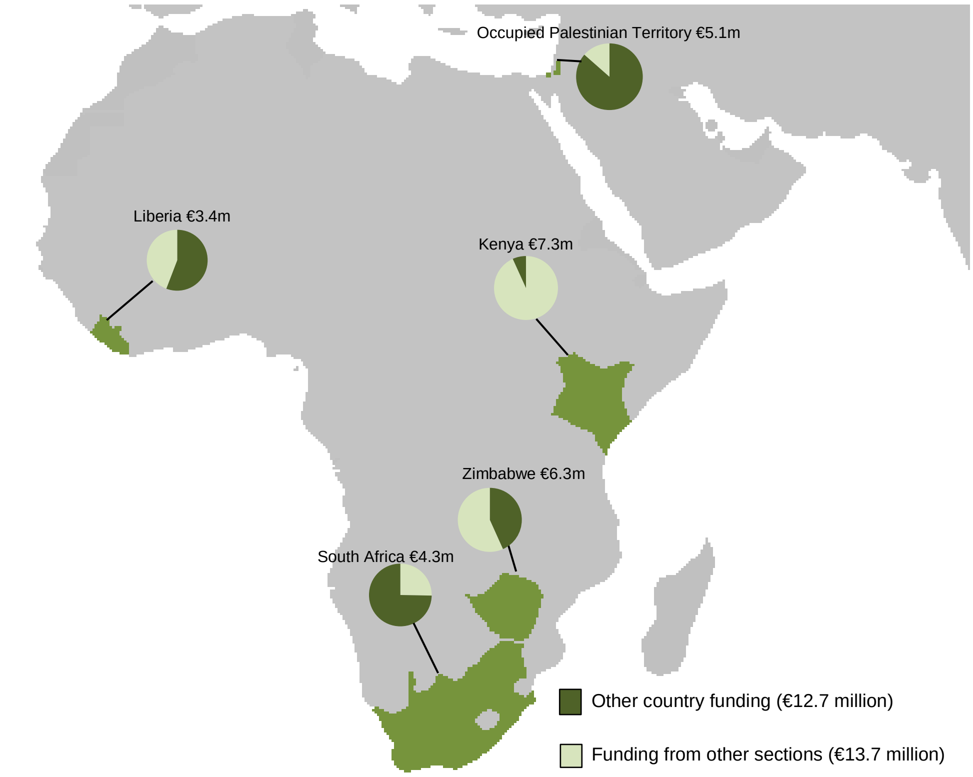
Notes: a Reimbursable expenses are paid to government agencies by partner organisations.

b Pension payments are made using a government owned agency.

Other countries

14.31 Assistance was provided in the form of project funding to a small number of other countries in 2016. Those countries receive programme grant support without being designated key partner countries. Other country funding of €12.7 million was administered by Irish Aid’s Africa Unit, through the embassies. Similar to key partner countries, additional funding was provided through civil society NGOs.[1] Figure 14.11 shows the total bilateral assistance of €26.4 million provided to other countries in 2016 through the Embassy or Africa Unit (€12.7 million) and Civil Society and Development Education Unit (€12.9 million) and other HQ units (€0.8 million).

Figure 14.11 Other countries that receive programme grant assistance [a]



Source: Department of Foreign Affairs and Trade

Note: a Figures are shown net of administration costs.

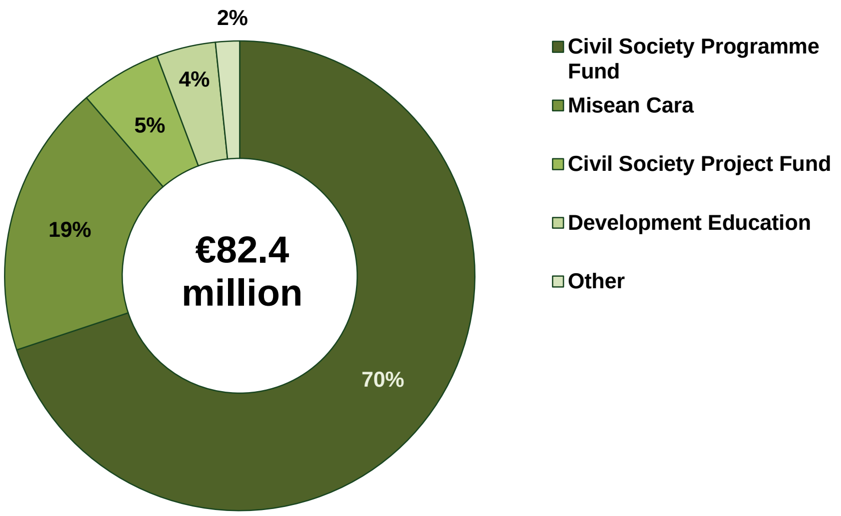
1 Assistance for Zimbabwe is administered by the embassy in Pretoria, South Africa. Assistance for Liberia is administered by the embassy in Freetown, Sierra Leone. Assistance for the Occupied Palestinian Territory is administered by HQ with assistance from the Department’s representative office in Ramallah.

Civil society

14.32 The civil society budget, administered by the Civil Society and Development Education Unit of the Department, provides NGOs, missionary groups and other partners with funding for development intervention. Expenditure of €82.4 million was incurred in relation to payments to civil society bodies in 2016. The principal channels of expenditure are set out in Figure 14.12.

14.33 The majority of the funding (70% or €57.5 million in 2016) is channelled through the Civil Society Programme Fund, which operates on a five year cycle and provides support through a number of Irish NGOs to implement programmes aimed at long term sustainable socio-economic change.[1] The remainder of the funding is applied to fund individual projects based on annual applications, development education and the activities of a group of missionary organisations under an umbrella arrangement called Misean Cara.[2] Support is also provided for volunteer related initiatives, election monitoring and through Ireland's diplomatic missions for small scale development projects in countries with no bilateral Irish Aid programme. Programmes are distinguished from projects by their scale and sustainable nature and their impact at local, regional and national level.[3]

Figure 14.12 Civil Society Funding 2016



Source: The Department of Foreign Affairs and Trade

Note: a Other includes Volunteer Related Programmes, In Country Micro Project and Election Monitoring.

Controls and assurances

14.34 Assurance in respect of civil society funding is obtained through monitoring and evaluation by staff in Irish Aid. Partner NGOs are required to submit annual reports, financial plans and audits conducted by external auditors at the end of each year. These documents are reviewed and compared to the original plan proposed. Monitoring visits are conducted throughout the duration of the project. Where significant issues of concern arise, funding may be suspended.

1 The current plan relates to the period 2017 to 2021, and is planned to provide support to 13 NGOs.

2 In 2016, Misean Cara funded 89 missionary organisations in 57 countries for service delivery.

3 Civil Society Programme grant funding ranges from €500,000 to €20.5 million. Civil Society Project Fund grants currently range from €10,000 to €180,000.

14.35 The Civil Society Programme Fund 2012 – 2016 underwent an end of cycle evaluation in 2016. An evaluation was conducted by an external reviewer of all participants to assess how the programme was implemented. The recommendations were taken forward in the development of the second phase of the programme grant 2017 – 2021.

14.36 In December 2016, thirteen Civil Society Programme NGO partners, including one new partner, were approved for funding under the 2017 to 2021 plan, as was the level of funding to be provided. Three NGOs that had been partners under the 2012 – 2016 programme did not meet the new requirements and consequently did not receive funding under the new programme.

Fraud reporting

14.37 Irish Aid provides funding to some of the least developed countries in the world. These are vulnerable states where governance and controls may be weak, resulting in an increased risk of fraud and corruption.[1]

14.38 Irish Aid has stated that it operates a zero fraud policy. The Department's Audit Unit has been assigned responsibility for investigating suspected frauds and maintaining a fraud register. A fraud investigation is completed with the support of staff from head office and missions who seek cooperation of the partner to ensure a thorough investigation has been conducted. The Audit Unit is regularly updated on the progress of the investigation.

14.39 The Department does not report publicly on suspected frauds or on the percentage of ODA that is lost to fraud. A review of the Department's fraud register was conducted as part of this examination.[2] In 2016, twelve instances of suspected frauds were reported in Irish Aid funded partner organisations, amounting to potential loses of €312,262. This is equivalent to 0.043% of ODA funding provided in 2016. When recovered amounts are accounted for, the potential loss is equivalent to 0.026% of ODA provided in 2016.

14.40 Figure 14.13 provides details of the suspected frauds recorded by the Department in the fraud register during 2016.

Figure 14.13 Suspected frauds recorded in Irish Aid fraud register during 2016

Section	No of frauds	Misappropriated amount	Recovered amount	Unrecovered amount
Malawi	3	€34,289	—	€34,289
Sierra Leone	2	€73,683	€23,683	€50,000
Uganda	2	€7,464	€4,064	€3,400
South Africa	1	€98,559	€98,559	—
Zambia	1	€65,000	—	€65,000
Tanzania	1	€28,000	—	€28,000
Liberia	1	€5,267	—	€5,267
Syria	1	—	—	—
Total	**12**	**€312, 262**	**€126,306**	**€185,956**

Source: Department of Foreign Affairs and Trade fraud register

1 Frauds may include the misappropriation of funds, deception, false representation, bribery, forgery, corruption, collusion, theft, embezzlement or falsification of accounts.

2 In March 2017 the fraud register is exploring 20 potential frauds dating back to May 2014 totalling €367,207.

14.41 This level of detected fraud is consistent with levels reported by government aid agencies in other jurisdictions (see Figure 14.14).

Figure 14.14 Frauds as a % of ODA in international agencies

Organisation	% of ODA
DFID[a]	0.03%[b]
USAID	0.0055%[c]
AusAID	0.026%[d.e]
UN Agencies	0.03%[f]

Source: Various (see notes)

Notes:
- a Department for International Development, UK.
- b UK National Audit Office, Investigation into Department for International Development Approach to tackling fraud.
- c US Aid Annual Report, 2015.
- d Fraud Control and Anti-Corruption with Department of Foreign Affairs and Trade Australia, including Australian Aid program.
- e AusAID calculates fraud as a % of ODA in international agencies, net of amounts recouped.
- f Fraud Prevention, Detection and Response in the United Nations.

Conclusions and recommendations

14.42 Irish ODA has been increasing since 2014, totalling €724 million in 2016. Given the level of expenditure involved, and the needs of developing countries, robust control and assurance procedures are key to ensuring that funds are used for the purposes intended.

Country strategy plans

14.43 Irish Aid develops multi-annual country strategy plans for each key partner country, to provide a framework to assist embassies in partner countries to achieve specific outcomes. Plans usually cover five year periods but the Department extends expiring strategies in cases where a new country strategy has not been prepared or has yet to be finalised. At the end of May 2017, this was the case in three of the eight partner countries.

Recommendation 14.1

The Department should ensure that new country strategy plans for key partner countries are completed in a timely manner, reducing the requirement for plan extensions. Preparations to devise new strategy plans should be made in advance of the end of a previous plan, to ensure that embassies have a clear framework in place to help achieve their targets.

Accounting Officer's response

Agreed. The Department has an updated planning process in place for the development of multi-annual strategies for all key partner countries. These strategies are usually developed for a five-year period, depending on the context. A review of performance and learning is undertaken which informs the planning process for subsequent strategies. This commences during the second half of an ongoing strategy, triggered by the findings of its mid-term review.

The Department's objective is to have new strategies completed and approved in time to coincide with expiring strategies. Where a mid-term review suggests that a strategy is worth continuing for a longer period than originally planned or, where significant changes occur in the national or regional context which demands further analysis and planning, documentation is prepared to extend the existing strategy. These extension documents are reviewed and approved by senior management.

Enhancement of control and assurance procedures

14.44 The risk of fraud and corruption associated with the provision of development assistance are features that must be addressed by all donor countries.

14.45 In response to a significant fraud in Uganda in 2012, the Department’s Audit Unit conducted a review of the internal controls and risk management systems being operated by the Department in key partner countries. The final Synthesis report was issued in February 2014 and made nine recommendations.

14.46 The Department has recognised the importance of implementing the recommendations of the Synthesis report. The Department commenced the roll out of the grant management procedure in 2016, two years after the Synthesis report was issued. However, the new grant management procedure has not yet been adopted for all of the Department’s missions and units. The Department expects that all the relevant sections will be using the new procedure by quarter one 2018.

14.47 The Synthesis report recommended that standardised contractual documents — including memorandums of understanding (MOUs) and annual contracts — be put in place with all programme partners. The Department’s legal section was tasked with creating standardised documents that include a more robust fraud framework and with updating guidance to staff on the new documents. The Department has advised that this process should be completed before the year end.

Implementation of enhanced procedures

14.48 As part of this examination, a review of a sample of five projects managed by the embassy in Uganda was conducted. The embassy was an early adopter of the new grant management procedure and improvements were noted in relation to the use of the organisational assessment capacity tool, the monitoring of projects throughout the year and the use of evaluation indicators in annual contracts.

14.49 Assessments evaluate potential project partners. One aspect of the assessment is to highlight weaknesses in the partner organisation and identify potential areas of risk. In five of the projects reviewed as part of the examination, weaknesses or risks were identified as part of the initial assessment. While risk registers were developed for all partners and mitigating strategies were developed, there was no evidence that mitigating actions were required in the MOU and annual agreements exchanged with the partners.

Recommendation 14.2

Where areas of weakness or risks are identified in a proposed partner organisation as part of the initial assessment, the Department should consider how these should be addressed in the MOU or annual contract. Such risks should be assessed regularly as part of the monitoring process.

Accounting Officer's response

Agreed. Risks and weaknesses identified with grant partners are actively managed by the relevant staff. In advance of grants being awarded, the capacity of the proposed implementing partner is assessed. Where risks or weaknesses are identified, mitigating strategies are developed with the partner. Risks and mitigation measures are included in the risk registers completed for each grant. These risk registers and mitigation measures are monitored on an on-going basis.

The Department agrees to formally include — in the MOUs and the annual agreements exchanged with partners — measures necessary for the management of more significant risks. The Department will update the standard approach to grant management to reflect this recommendation.

Fraud reporting

14.50 The role of investigating frauds has been assigned to the Audit Unit with support from staff at head office and the missions. Suspected frauds are reported by the relevant section to the Audit Unit, who investigate and also have responsibility for maintaining a fraud register.

14.51 The total value of suspected frauds recorded in the fraud register during 2016 was approximately €312,000. Of this amount, approximately €126,000 was subsequently recovered. Unlike other donor agencies in countries such as Australia, United States and the United Kingdom, Irish Aid does not publish the value of funding that has been subject to a suspected fraud or the value of suspected frauds as a percentage of ODA.

Recommendation 14.3

In line with good practice amongst other donor countries, the Department should consider estimating and publishing on an annual basis, the value of suspected frauds, both in euro terms and as a percentage of ODA.

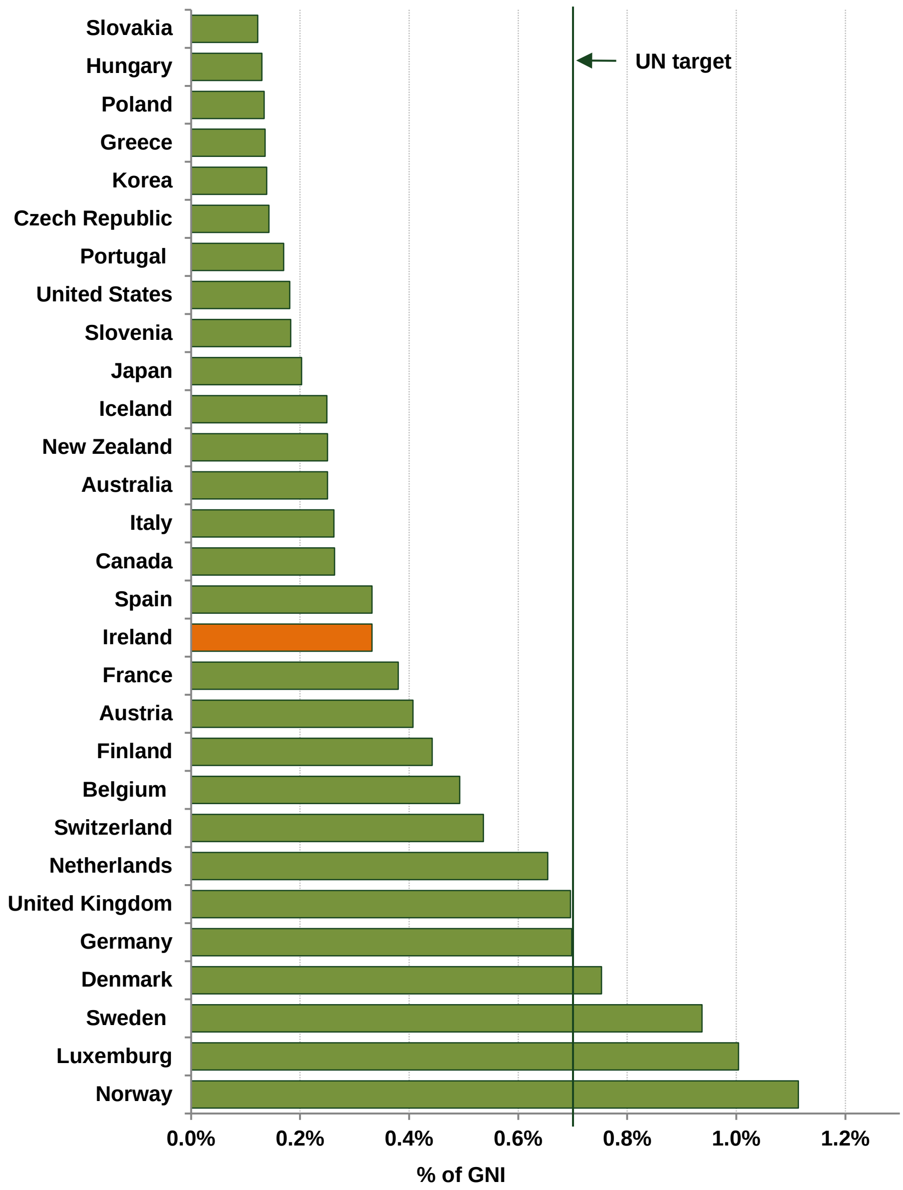
Accounting Officer's response

Agreed. The Department's Evaluation and Audit unit is responsible for reviewing and investigating all reports of fraud. The Department adopts a zero tolerance approach on fraud. Reports of fraud are reviewed by senior management and by the Department's Audit Committee on a regular basis.

The Department will develop a methodology in relation to the publication of information in respect of frauds/alleged frauds affecting Irish Aid funds awarded to partner organisations, probably through the Irish Aid Annual Report.

Annex 14A Net ODA as a percentage of GNI

Figure 14A.1 Net ODA as a percentage of GNI – Development Assistance Committee Donors, 2016



Source: Irish Aid annual reports; Department of Foreign Affairs and Trade

Note: In 1970, the UN set a target for developed countries to contribute ODA equivalent to 0.7% of their Gross National Income (GNI) each year. Only six countries reached the target in 2016.

Annex 14B

Figure 14B.1 Timeline for implementation of changes following 2012 Uganda fraud

2012	**October** ▪ Fraud identified in Uganda in the Office of the Prime Minister, of which €4 million was contributed by Irish Aid. ▪ Irish Aid suspended funding through Uganda Government. **November** ▪ Audit Unit investigated the fraud in Uganda. Outline of the findings and associated recommendations issued.	**November (cont'd)** ▪ Accounting Officer requested head of missions in all key partner countries to review internal controls, risk management systems and reporting procedures. ▪ Chief Risk Officer appointed. **December** €4 million recovered from Uganda Government.
2013	**January** Irish Aid provides financial support for the Office of the Auditor General in Uganda. **February** Accounting Officer discussed common themes arising from internal review exercise with heads of missions.	**March** Audit Unit visited key partner countries to assess the adequacy of controls in each country and identified common weakness that existed.
2014	**February** ▪ Audit Unit Synthesis report issued. ▪ Chief Financial Officer appointed. **May** Cross divisional task team established to oversee the development of robust management standards and systems for Irish Aid units and missions.	**July** Risk management policy finalised. Guidance issued on rating and management of risk.
2015	Annual budgeting aligned with business plan. Deadlines merged.	
2016	**January** Grant management procedure approved. This includes a flow of funds guidance, evaluation and monitoring and risk based assessments. **February** ▪ Revised internal audit charter issued. ▪ Grant management procedure rolled out in the Performance & Planning Unit. **March** ▪ Organisation restructuring undertaken. Unit organigrams outlining roles and responsibilities to be maintained. ▪ Grant management procedure rolled out in Malawi, Uganda and Vietnam.	**April** Cross divisional task team final report issued. Grant management procedure rolled out to Policy Unit. **June** ▪ Procedure for engagement and reporting between HQ and key partner countries audit staff issued. ▪ Training needs assessed and pre-posting training plan issued. ▪ Pre-posting training commenced. **September** Grant management procedure rolled out in Tanzania. **December** Grant management procedure rolled out in Mozambique.
2017	**February** Grant management procedure rolled out in the Africa Unit. **March** ▪ New results based management approach to country strategy completed. ▪ Grant management procedure rolled out in Sierra Leone.	**May** Grant management procedure rolled out to Ethiopia.
	Quarter 3 and Quarter 4 Grant management procedure to be rolled out to remaining key partner countries and Department units.	

Source: Department of Foreign Affairs and Trade