



**Independent
Commission
for Aid Impact**

ICAI Follow up DFID- Programme Controls and Assurance in Afghanistan

1. We assessed DFID's systems of control and assurance over DFID's expenditure in Afghanistan. We acknowledged in our original report that DFID Afghanistan had a highly committed, respected and experienced senior team and a reputation for professionalism amongst other organisations working in the country. We found, however, that DFID's financial management processes were insufficiently robust and that DFID did not give sufficient importance to identifying and managing risks in the design and delivery of its programmes.
2. Overall DFID has responded well to our recommendations. The department's proposed actions are comprehensive and appropriate, particularly given the context and limitations inherent in working in fragile states such as Afghanistan.
3. DFID has undertaken a comprehensive suite of actions to assess and take into account the risk of corruption, which is balanced against the benefits that programmes are designed to deliver. These are summarised in its anti-corruption strategy, which was written in response to our report on anti-corruption. Measures include new due diligence assessments of all partners, programme wide fiduciary risk assessments, an assessment of fraud in business cases and a Portfolio Assessment Tool (PAT) designed to monitor and report fiduciary risks. Having implemented the PAT early warning system, DFID has dropped one project because of an indication of value for money risks. DFID country offices in Pakistan and Central Asia have also adopted the PAT in recognition of its value. In addition to the above, DFID has recruited additional staff with specific financial and commercial expertise to the team to support this work.
4. Our final recommendation in the report stated that NAO and PAC recommendations on fraud and corruption should be implemented. DFID has decided not to quantify leakage or the cost of its new anti-corruption strategy, although the Finance and Corporate Performance Division are keeping this decision under review. The decision not to quantify these items makes it difficult for the department to evaluate effectively the impact of its interventions to reduce and eliminate leakage from its programmes.
5. DFID has also made wider improvements that sit outside the scope of our recommendations, including to policy and staff culture. Senior staff noted, in particular, evidence of changing attitudes in the enhanced due diligence process, which now requires DFID programme staff to ask searching questions on fiduciary and financial controls of private sector and NGO partners.
6. We welcome the package of measures that DFID have implemented, both relating to our recommendations and also more widely. We would,

however, encourage them to consider further attempting to quantify leakage and the cost of the new anti-corruption strategy. We look forward to seeing how these measures are working in practice when we go back to Afghanistan in the Autumn, as part of our Year 3 programme.