

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

Programme controls and assurance in Afghanistan, March 2012

| ICAI Recommendation | Accept/Partially Accept/Reject | Original Management Response | | March 2013 Update |
|---|--------------------------------|--|--|---|
| | | Action | Target date | |
| <p>Recommendation 1: DFID should make explicit in its funding decisions how it is assessing and taking into account the risk of leakage and balancing that risk against the benefits the programmes are designed to deliver.</p> | <p>Accept</p> | <p>1. A DFID Task Team will visit Kabul by end April to develop an Action Plan to further reduce the risk of leakage or fraud. DFIDA is already considering the use of third party verification and continuous audit. Specific responsibilities and resourcing needs will subsequently need to be agreed, including with DFID central departments.</p> | <p>Action Plan agreed and under implementation by June 2012.</p> | <p><u>Already Completed</u></p> |
| | | <p>2. DFIDA will develop a new portfolio management tool to monitor and manage risks and results; and add a risk on partner financial systems to its existing risk register.</p> | <p>June 2012</p> | <p><u>Already Completed</u></p> |
| | | <p>3. DFIDA will undertake an annual scenario planning exercise to test strategy and enhance portfolio risk management.</p> | <p>September 2012</p> | <p><u>Already Completed</u></p> |
| | | <p>4. DFID's Finance Division will develop</p> | | |

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| | | <p>guidance to assist spending departments in their assessment and management of fraud. This will guide new due diligence assessments of all partner organisations. DFIDA will implement this guidance and take a more comprehensive approach to risk analysis.</p> <p>5. DFIDA will use the findings from its on-going programme-wide Fiduciary Risk Assessment to identify additional actions to further address risk in new project business cases.</p> <p>6. DFIDA will develop an Anti-Corruption Strategy, building on its existing work and central guidance.</p> | <p>September 2012</p> <p>August 2012</p> <p>September 2012</p> | <p>Already Completed</p> <p>Already Completed</p> <p>Already Completed</p> |
| <p>Recommendation 2: DFID needs to deploy people with more financial and procurement skills to improve its financial grip and reduce risk. It should focus its financial resources</p> | Accept | <p>7. The new Finance Manager and Commercial Adviser posts will be filled as soon as possible. The Action Plan (recommendation 1, action 1) is likely to have additional staffing implications which DFID will take forward.</p> | September 2012 | Already Completed |

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| on improving its understanding and reporting of cost throughout the delivery chain. | | | | |
| <p>Recommendation 3: DFID should strengthen its managing agent agreements by specifying the levels of controls and assurance that it expects to be in place and monitoring whether or not these standards are met.</p> | Accept | <p>8. The Task Team (recommendation 1, action 1) will assess how managing agent agreements should be further strengthened. Depending on the outcome of the Action Plan, DFID will review managing agent agreements (multilateral, government, NGO and private sector) for all delivery partners.</p> | September 2013 | <p>On track The Task Team concluded that DFID's managing agent agreements for NGOs, Government and the private sector were sufficiently robust. However they recommended strengthening central agreements with multilaterals, particularly UNDP whom they identified as DFID's key multilateral partner in Afghanistan. DFID is taking part in multi-donor meetings to agree a coordinated approach to the renegotiation of Framework Agreements with UNDP and other multilaterals. DFID is seeking a more consistent level of control in agreements for all our multilateral partners as well as</p> |

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| | | | | mechanisms to provide assurance that standards are met. |
| <p>Recommendation 4: DFID should ensure that its office in Afghanistan implements outstanding NAO and PAC recommendations regarding fraud and corruption.</p> | Partially Accept | <p>9. On <u>quantifying leakage</u></p> <p>DFID's Finance Division will develop guidance to assist spending departments in their assessment of fraud and leakage in each Business Case (see recommendation 1, action 1). The guidance will draw on recent research undertaken on options and methods to measure fraud.</p> <p>On <u>risk management</u> new actions that DFIDA will undertake are set out at recommendation 1 above.</p> <p>On <u>financial management</u> new actions that DFIDA will undertake are set out at recommendation 2 above.</p> | September 2012 | <u>Already Completed</u> |