

ICAI Annual Report 2017 to 2018

Report to Parliament's International
Development Committee

June 2018

The Independent Commission for Aid Impact works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of government, reporting to Parliament, and our mandate covers all UK official development assistance.



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Foreword

The last 12 months have been another important period for UK aid spending.

Over the past year, the context within which the 2015 UK aid strategy has been delivered has been shaped by further evolution and articulation of the government's thinking on foreign policy, trade and national security. UK aid is now delivered across a range of both new and mature mechanisms, still primarily focused on economic development and welfare in developing countries, but increasingly delivering multiple secondary objectives for the UK. ICAI's work programme has continued to respond and adapt to these developments to ensure that the UK Parliament and public are provided with an independent view on the success of UK aid in delivering impact and value for money.

This includes a continued focus on aid spent outside the Department for International Development (DFID). As the new 'fusion doctrine' sets out in the National Security Capability Review, the UK is committed to using all levers available to the government to promote the UK's national interests, with a 'whole of government' approach to UK aid. In 2017, 27.5% of the aid budget was spent outside DFID, including in large funds such as the Conflict, Stability and Security Fund and the Global Challenges Research Fund, both reviewed by ICAI this year. The Prosperity Fund has approved more programmes, and new legislation has allowed for an increase in the capital base of the government's development finance institution, CDC, from £1.5 billion to £6 billion and potentially £12 billion.

Over this period, ICAI carried out nine thematic reviews, spanning a wide range of objectives of the UK aid strategy, government departments and other partners involved in aid delivery. In addition to examining what was achieved by individual aid programmes, we examined whether these programmes are amounting to a joined-up and coherent strategic approach by the government to the pursuit of its goals, including the Sustainable Development Goals. Our findings suggest there is still much to be done in this regard.

This year also brought a sobering reminder of the importance of accountability and robust attention to all aspects of aid management in the form of the safeguarding crisis that involved many trusted aid partners. ICAI has increased its scrutiny of how safeguarding risks are appraised, mitigated and managed across all new reviews, where relevant, as a result.

Looking internally, ICAI's crucial role in the scrutiny of UK aid was reaffirmed this year in the tailored review of ICAI required by the Cabinet Office. This noted how we have helped fulfil the requirement for independent evaluation of UK aid required by the 2015 International Development Act, and supported Parliament. We welcomed the constructive recommendations from the tailored review, which will help strengthen our work both over the coming year and as we transition to a new board of commissioners in July 2019.

The next 12 months will see us continue our crucial work, carrying out a wide range of reviews, from the second of our looks at DFID's procurement to a review of the Newton Fund – always seeking to ensure our work helps to improve aid for taxpayers, and for those that need it the most.



A handwritten signature in black ink that reads "Alison Evans".

Dr Alison Evans
Chief commissioner

1 Highlights of 2017-18







The focus of our reviews

ICAI's annual programme of thematic reviews, agreed by the International Development Committee (IDC), provides Parliament and UK taxpayers with evidence on the performance, impact and value for money of the UK aid programme, ensuring the government is held to account. In 2017-18, the topics for our work programme were selected based on four criteria:

- volume of aid spent, or projected to be spent, on the issue
- relevance to the UK aid strategy and the Sustainable Development Goals, and related policy and programming developments
- level of risk associated with a particular geography or issue¹
- potential added value of an ICAI review.²

ICAI published nine reviews between July 2017 and June 2018. Key areas of emphasis this year included aid spending by government departments other than DFID, different approaches to addressing crises, and DFID's approaches to ensuring value for money from aid spending through procurement and management of programmes and portfolios.

Table 1: ICAI 2017-18 reviews and scores

Review topic	Review type	Publication date	Score
The Global Challenges Research Fund	Rapid	September 2017	Not scored
Achieving value for money through procurement – Part 1: DFID's approach to its supplier market	Performance	November 2017	
The UK aid response to global health threats	Learning	January 2018	
DFID's approach to value for money in portfolio and programme management	Performance	February 2018	Not scored
Building resilience to natural disasters	Performance	February 2018	
The Conflict, Stability and Security Fund's aid spending	Performance	March 2018	
DFID's approach to disability in development	Rapid	May 2018	Not scored
The UK's humanitarian support to Syria	Performance	May 2018	
DFID's governance work in Nepal and Uganda	Performance	June 2018	

1. Risk factors include, for example, rapid scaling up, operating in fragile or conflict-affected states and the use of relatively untested approaches or delivery partners.
 2. This includes considering recent and planned work by the IDC and the National Audit Office, and whether ICAI has previously reviewed the issue.

ICAI utilised a range of review types over the past year. Performance and impact reviews look back at past aid spending to hold government accountable for what has been achieved. Learning reviews and rapid reviews take a more forward-looking approach at the potential of new funds and programmes or work in relatively untested areas to deliver value for money and results. We carried out six performance reviews, two rapid reviews and one learning review.

Rapid reviews were introduced in 2016-17. This year our rapid reviews looked at the Global Challenges Research Fund (GCRF) – a £1.5 billion fund supporting research and overseen by the Department for Business, Energy and Industrial Strategy (BEIS) – and at DFID’s approach to disability inclusion ahead of a global disability summit in July 2018.

Key themes emerging from 2017-18 reviews

Strong programme-level performance

Among our six scored reviews this year, we awarded a green/amber score in five cases. Four of these focused on particular areas of programming, and the fifth looked at how DFID shapes its £1.4 billion supplier market. In each of the programme-focused reviews (on global health threats, resilience to natural disasters, humanitarian programming in Syria and governance programming in Uganda and Nepal), we found good performance on review questions relating to relevance and effectiveness.

Situation analysis was often a strong area in the programming we reviewed, particularly on global health threats, Syria and governance, and there were strong achievements against predicted outputs. Despite sometimes disappointing monitoring of outcome-level results – including in technically ‘hard to measure’ areas such as governance and resilience, and in challenging contexts such as Syria – our analysis suggested that a high proportion of programmes were performing well.

Two reports however noted that sustained management attention would be needed to avoid the potential risk of backsliding on results achieved to date. DFID and the Department of Health and Social Care’s work to address global health threats built strongly on lessons learned from the Ebola crisis in 2014-15, but the strategy needs to be refreshed and communicated externally, and the emphasis on learning and coordination needs to be enhanced. DFID also made a strong effort to mainstream resilience to natural disasters in its programming, backed up by dedicated financial and technical resources from 2012 to 2016. We found those efforts to have been successful, but emphasised the need to continue to support this area to sustain results.

We scored the Conflict, Stability and Security Fund’s aid spending amber/red, and raised a range of serious concerns about programme performance, discussed further below.

Strategic impact

While we found a lot to be positive about at programme level in many reviews, we remain concerned that UK aid spending may not be optimising its potential to deliver strategic impact that is greater than the sum of its programme parts. This applies both within and across portfolios of aid spending by government departments.

In our review of the GCRF, we found that BEIS had intentionally chosen to keep the remit of the Fund very broad across the range of Sustainable Development Goals, to allow funding to follow priorities identified by the research community. Without more strategic focus, we found a scattered portfolio of programmes, which was not conducive to achieving the GCRF’s objective of transformational impact.

Within the narrower portfolios of governance programming in Uganda and Nepal, we also found that, while there were high-level strategies for DFID in each country, and well-designed individual governance programmes, there was a ‘missing middle’. An absence of clear strategic direction for governance work at country level meant that it was not apparent to us whether the individual governance programmes fitted together coherently to deliver the greatest possible impact.

Our review of DFID's approach to value for money in portfolio and programme management identified gaps in reporting and capturing results at the portfolio level. We found that DFID's results measurement system was not oriented towards measuring or reporting on long-term transformative change, and could unhelpfully focus on short-term results attributable to UK aid programmes over working with and through others to achieve lasting change. DFID's commitments to the principles of development effectiveness – such as supporting local capacity, accountability and leadership – are not reflected in its value for money approach. There is no system for reporting and capturing results at country portfolio level.

A more positive example of strategic direction was found in the work to address global health threats. We found that the strategic approach of “Smarter, Stronger, Swifter” provided a clear and coherent framework for delivering against strategic objectives, and the work was well supported by evidence and well aligned to the framework. The framework could be further improved by placing more emphasis on strengthening national health systems, and by identifying more clearly the UK's comparative advantage in relation to other global actors working on this agenda.

Aid spending by departments other than DFID

In keeping with the approach set out in the 2015 UK aid strategy, the share of the total aid budget being spent by departments other than DFID rose to an estimated 27.5% in 2017.³ The attention paid by ICAI reviews to this spending has grown in parallel. In 2017-18 we looked across government for a range of reviews. In addition, we submitted formal evidence to the IDC's inquiry into the definition and administration of official development assistance (ODA), which focused heavily on the role of cross-government aid spending.⁴

Our reviews paint a mixed picture, reflecting both the opportunities for the aid programme to draw on a wider range of expertise in other departments, but also the risks of rapidly increasing funding before robust systems for ensuring impact and value for money are in place.

In our Conflict, Stability and Security Fund (CSSF) review, for example, we found that the focus of National Security Council country strategies had improved over time, and provided a strong strategic framework for CSSF programming, which was also well aligned to the UK aid strategy. We found CSSF staff to be well informed and with good-quality analysis of particular conflict situations. This helped them to be nimble and flexible in response to changing circumstances. DFID and the Department of Health and Social Care had similarly developed a strong strategic framework for addressing global health threats following their experience of the Ebola crisis, backed by strong evidence of needs and a relevant portfolio of programmes and influencing activities.

As in our review of the Prosperity Fund in 2017, however, we found in the cases of the GCRF and the CSSF that some of the fundamentals of good programme and portfolio management were not well developed, despite funding being allocated at pace. The GCRF lacked a clear theory of change or results framework for assessing its own overall performance and value for money 15 months into its five-year award cycle. For individual projects, however, it drew on well-established mechanisms for identifying research excellence. We had more serious concerns about the CSSF: it has inadequate results management, monitoring and evaluation processes in place, with basic information on what programmes have achieved either missing or incomplete in almost all the programmes we reviewed. Most of the programmes we reviewed showed design or implementation flaws and at times the approach was contrary to the available evidence of what works.

In the case of the GCRF, we flagged concerns about the ODA eligibility of some funding passed through the Higher Education Funding Councils in the form of block grants, which were mixed with non-ODA funding. This funding had not been subject to a systematic process for verifying its use for ODA-eligible purposes.

3. *Statistics on International Development: Provisional UK Aid Spend 2017*, DFID, April 2018, [link](#).

4. *A briefing note for the International Development Committee's inquiry into the definition and administration of official development assistance*, ICAI, January 2018, [link](#).

Learning

ICAI sees learning as central to achieving value for money and impact in the UK aid programme. Learning is essential for continuous improvement, avoiding repeating mistakes, and navigating a route through the complex challenges that aid programmes often face.

All of our six scored reviews this year included a question on learning, and in four of those we awarded an amber/red score for that area. In most cases, research, insights and lessons were being generated, but we found that those learning outputs were not being adequately used to feed back into developing and improving programming. This was particularly the case in our reviews of resilience to natural disasters and governance programming in Uganda and Nepal. In our reviews of the responses to global health threats and the Syria crisis, we noted that transferable lessons from crises in one country were not being adequately collated centrally for use in other contexts. We found the CSSF had little evidence to build on from previous government spending on conflict and security, and its own progress in building evidence and learning was insufficient relative to the scale of the Fund.

We noted a limited use of evaluation in a number of reports, including on the CSSF, DFID's humanitarian support to Syria and DFID's governance work in Nepal and Uganda. The diverse programming covered in these reports typically features complex theories of change where successful delivery of planned outputs may not achieve the desired impact. Building on the finding in our 2017 review of DFID's work on inclusive growth, we also found in our governance review that clear metrics to assess the impact of research funding were lacking.

We recognise the strong internal commitment to improving learning that DFID has made since ICAI's 2014 review of "How DFID Learns", but we believe more could still be done, particularly to address limited evidence of progress on 'hard to measure' areas, and to increase staff time for utilising available evidence and learning in their day-to-day work.

More broadly, we are concerned that as spending of the aid budget continues to be spread across different government departments, DFID's evidence and experience is not being utilised sufficiently by other departments. The poor standard of results management and value for money analysis that we observed in the CSSF was an acute example, albeit in a challenging area, while the difficulty of some GCRF partners to identify credible pathways to development impact from their research is an issue that DFID's research partners are already familiar with. We welcome the commitment made by DFID's secretary of state to share the department's expertise more widely,⁵ and we will continue to look for evidence of openness to, and innovation in, cross-departmental learning.

Leave no one behind

Our disability review this year was specifically focused on the theme of 'leave no one behind', while issues of marginalisation and inclusion were consistently considered across other reviews.

In our value for money report and our follow-up (which reviews the government's work to address issues raised in our reviews) we noted good progress by DFID over the last year in increasing the emphasis on equity in its approach and guidance. The 2017 update to DFID's smart guide on value for money formally added equity as the fourth 'E' to consider alongside economy, efficiency and effectiveness. Specific guidance on considering equity in value for money was also produced. Our follow-up report found examples of increased attention to equity in DFID's new education policy and in a new programme on considering women's empowerment in cash transfer programming.

Building on this, we will be looking for progress in translating commitments and guidance into effective programming to address marginalisation, particularly in programming that aims to include (rather than directly target) marginalised groups. Our value for money report noted that staff would value more guidance on how to make strategic choices about the appropriate balance to strike between including marginalised groups and maximising efficiency (such as by reaching a greater number of people at lower cost). In our disability review we noted that disability inclusion requires specialist skills, and recommended that DFID should increase both the representation of staff with disabilities and the number of staff with significant previous experience of working on disability inclusion.

5. *International Development Secretary on UK aid – the Mission for Global Britain*, DFID, April 2018, [link](#).

Looking across aid-spending departments, we note a lack of consistent policy around marginalisation and ‘leave no one behind’. The UK aid strategy includes a commitment that the UK government will “lead the world in implementing the Leave No One Behind promise agreed by former Prime Minister David Cameron and other world leaders in 2015”.⁶ However, while we see this commitment embedded in a range of DFID’s work, the approach is less clear in other aid-spending departments we have reviewed. The CSSF’s aid programming, for example, is focused on achieving National Security Council objectives on conflict and instability, and most of it is not designed to reach the most marginalised and vulnerable groups. The picture in relation to gender is different again. The CSSF has a strong commitment to addressing gender in its programmes, and considers itself bound by the 2015 International Development Act’s requirements in this regard. In contrast, the GCRF does not spend its aid money under the authority of the International Development Act, and is therefore not bound in the same way. The government would benefit from having a consistent policy and approach in this area.

Approaches to mainstreaming

Two of our reviews this year looked at topics which DFID had committed to embed across all of its programmes: disability and building resilience to disasters. Complemented by our 2016 review of DFID’s work to address violence against women and girls, these reviews provide some important lessons about mainstreaming.

DFID’s work on mainstreaming resilience, which began in 2011, is further advanced than its work on disability. Financial support had been provided for resilience mainstreaming efforts by country offices, and a clear strategy was in place with sets of indicators for monitoring progress. DFID adopted a pragmatic approach to rolling out resilience programming, focusing first on those country offices for whom resilience to disasters was most relevant and which showed the strongest interest in the issue. In contrast, while DFID has had high-level strategic commitment and political support for disability work, particularly since 2016, it has lacked a clear strategy for building up a strong portfolio of disability-focused work. DFID’s current disability portfolio is too modest in reach and scale to support the transformative impact that it is looking for. Recent efforts to commission new programming and additional planning in advance of the global disability summit in July 2018 indicate that DFID now has a promising direction of travel. In our follow-up review in 2019 we will examine whether those efforts are being sustained and bearing fruit.

Addressing crises

ICAI carried out three reviews this year that examined aid spending on crises, all of which awarded green/amber scores. The response to the protracted crisis in Syria is DFID’s largest-ever humanitarian operation. Work on addressing global health threats by DFID and the Department of Health and Social Care included a mixture of response work (for example to disease outbreaks) and preventative or mitigation work (including support to strengthening health systems, preventing anti-microbial resistance and new vaccine development). DFID’s work on building resilience to natural disasters aims to reduce the impact of disasters on vulnerable populations.

Our reviews contained a range of positive findings. They included successful adaptation of programming over time in response to learning, and strengthening of needs assessment, access and response mechanisms in the extremely challenging context of Syria; strong potential from work on World Health Organization reform, building disease surveillance systems in high-risk countries and developing new vaccines; and global leadership on risk-based financing to support early response when natural disasters strike.

There was nonetheless room for improvement. As in other areas, we found scope to improve learning across the board, particularly in terms of synthesising and sharing learning that could be transferable from one context to another. In DFID’s resilience work, we found that while resilience is an area where results are hard to measure, there was scope to improve and a risk that progress may not be sustained if attention to results measurement and learning is not increased. In DFID’s Syria response, we noted that due diligence processes did not explicitly address safeguarding risks for aid recipients, and safeguarding was not addressed as part of DFID’s third-party monitoring mechanisms.

We will be returning to all these issues and examining how well the government has responded to our review findings and recommendations in our follow-up exercise in 2019.

6. *Leaving no one behind: our promise*, DFID, January 2017, [link](#).

2 Functions and structure

This chapter sets out the current structure and functions of ICAI, and introduces ICAI's new theory of change. It also reports on the performance of ICAI's supplier.

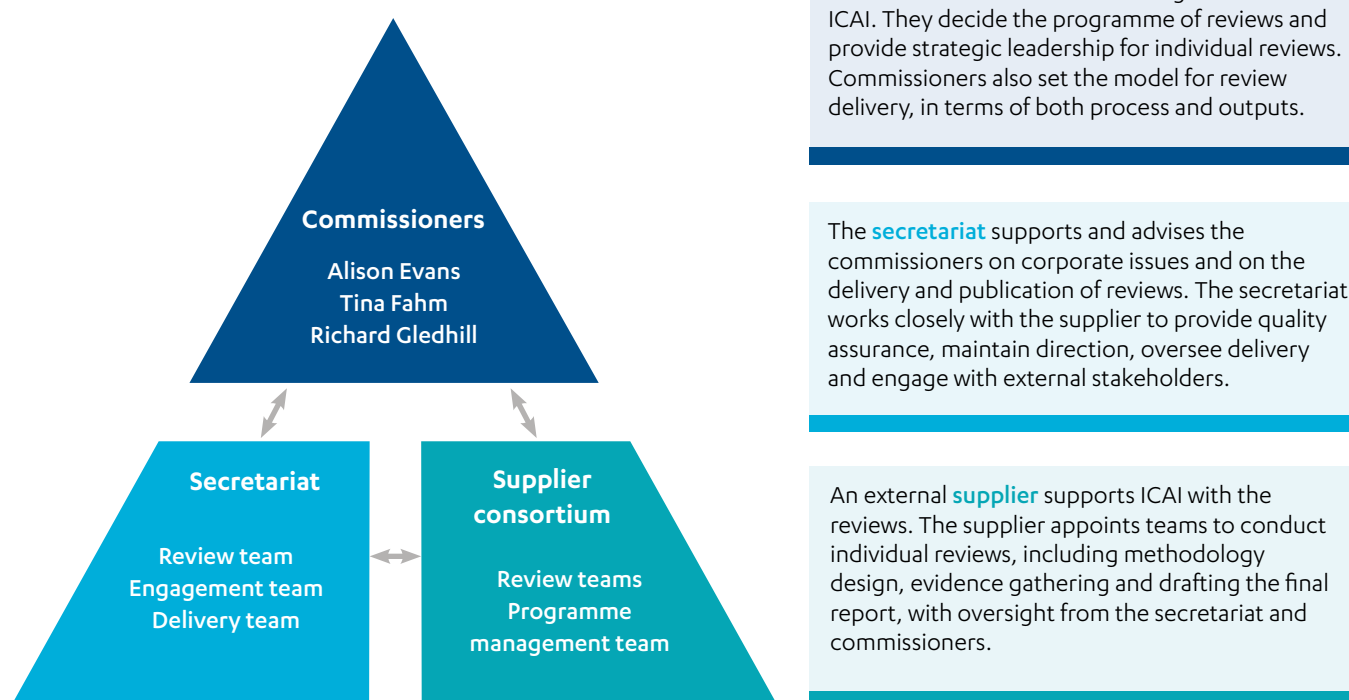
ICAI's structure and functions

ICAI's remit is to provide independent evaluation and scrutiny of the impact and value for money of all UK government aid spending. To do this, ICAI:

- carries out a small number of well-prioritised, well-evidenced, credible thematic reviews on strategic issues faced by the UK government's aid spending
- informs and supports Parliament in its role of holding the UK government to account
- ensures its work is made available to the public.

ICAI is led by a board of independent commissioners, who are supported by a secretariat and an external supplier. These three pillars – commissioners, secretariat and supplier – work closely together to deliver reviews. The high-level roles and responsibilities of the three pillars are detailed in the diagram below.

Figure 1: Roles and responsibilities within ICAI

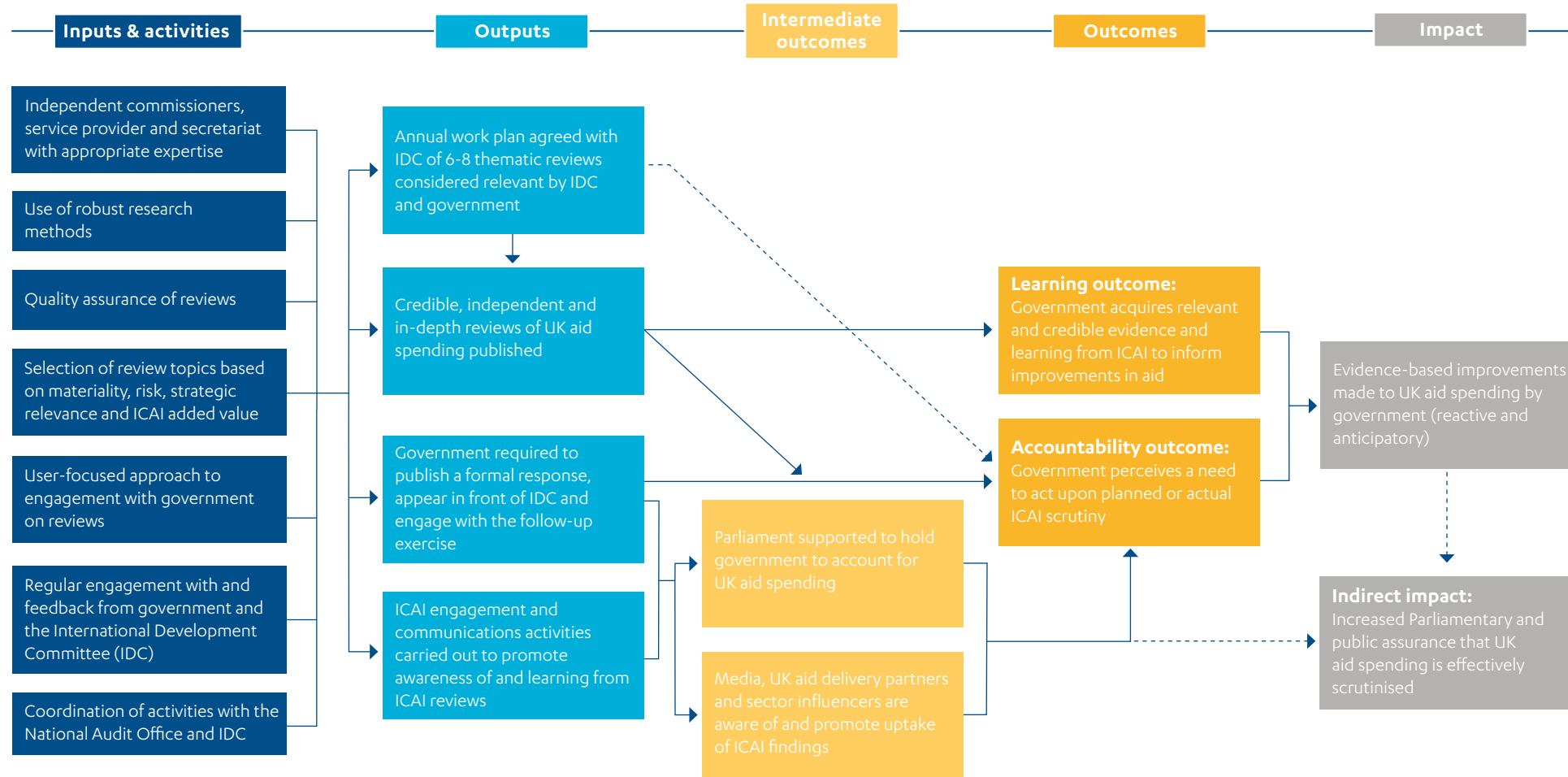


ICAI's theory of change

ICAI has developed a new theory of change following a recommendation in the 2017 tailored review (see chapter 3), illustrating how our work is expected to deliver improvements in the impact and value for money of UK aid spending. In addition, the theory of change is expected to assist our continuous improvement, including how our own performance and contribution to aid impact are assessed. A diagram summarising this theory of change is on the next page:

ICAI's theory of change

How our work improves aid through robust, independent, scrutiny



Assumptions

- Thematic and research expertise in ICAI's teams increase credibility and relevance of reviews, but conflicts of interest undermine credibility and independence.
- Constructive engagement with government by ICAI will increase the relevance and credibility of ICAI's reviews.
- Government may be influenced by ICAI to take action to improve aid spending in response to published findings, in anticipation of findings while a review is underway, or in the expectation of future scrutiny.
- ICAI reviews generate or make public new information or insights to inform government decision-making.
- Effective formal accountability processes increase the likelihood of government acting upon ICAI evidence.
- Awareness of ICAI findings among media and aid sector stakeholders can contribute to promoting action by government.
- Decision-making on aid programming considers evidence alongside factors outside ICAI's scope to influence (eg political considerations).

Type of influence

- ▶ Direct influence
- - - -▶ Indirect influence

The ICAI team

The commissioner team is headed by Dr Alison Evans, ICAI's chief commissioner. ICAI's other commissioners are Tina Fahm and Richard Gledhill. From January 2018, the chief commissioner has been a full-time appointment, while the other commissioners' roles remain part time. The commissioners' biographical details are published on the ICAI website.⁷

ICAI's secretariat is headed by Ekpe Attah and consists of ten civil servants focusing on review quality, business delivery and engagement. The secretariat is based in the Wales Office, London.

Agulhas Applied Knowledge, a specialist international development consultancy, is ICAI's external supplier. Agulhas is supported by two sub-contractors: Integrity, a development consultancy which specialises in working in complex environments, and Ecorys, an international company providing research, consultancy and management services.

Assessment of supplier performance in 2017-18

The supplier continues to deliver high-quality technical knowledge and expertise on a wide range of ODA-related topics throughout the review process, from scoping to participation in International Development Committee (IDC) hearings. The high degree of flexibility which is essential for operating effectively within ICAI continues to be demonstrated, including adapting team resourcing as needed and facilitating work in challenging contexts such as data collection in Syria. The supplier has demonstrated particular strengths and consistent high performance in meeting ICAI compliance standards for conflict of interest and security clearances and in supporting commissioners at IDC hearings. There were some challenges in the first half of the year in maintaining the review production schedule. A small number of reviews had to be rescheduled during the year to accommodate longer-than-planned drafting and to ensure quality was maintained. However, close working between the ICAI secretariat, the commissioners and the supplier ensured nine high-quality reviews were delivered between July 2017 and June 2018. Additionally, the annual follow-up review, reporting on the government's progress against ICAI 2016-17 review recommendations, was also completed.

The ICAI secretariat, the commissioners and the supplier have continued to work closely to ensure efficient delivery of the work plan. At individual review level, any issues that arise are dealt with on a day-by-day basis by the secretariat and supplier teams. The overall programme performance and programme key performance indicators (KPIs) are reviewed monthly between the head of secretariat and the Agulhas directors. For all of ICAI, the switch to having a full-time chief commissioner, following the tailored review recommendations, has been positive, resulting in an improvement in the operation of the review process.

The commissioners, the secretariat and the supplier will continue to work together to ensure the 2018-19 work plan is delivered on time and to expected standards. As the current contract with the supplier will come to an end next year, timeliness is even more important, as the timelines for next year's reviews cannot be extended past June 2019.

7. Commissioners, ICAI, [link](#).

3 Corporate governance

ICAI is an advisory non-departmental public body, established in May 2011 to scrutinise all UK official development assistance (ODA), irrespective of spending department. ICAI is sponsored by DFID but delivers its programme of work independently and reports to Parliament's International Development Committee.

Our commissioners, who lead the selection process for all reviews, were appointed after a competitive process overseen by the Commissioner for Public Appointments. They hold quarterly board meetings, the agendas and minutes of which are published on our website.⁸

Our primary governance objective is to act in line with the mandate agreed with the secretary of state for international development, set out in our framework agreement with DFID.⁹

The cross-government focus of ICAI's work was reiterated in the UK aid strategy,¹⁰ published in November 2015. This whole-of-government strategy included a commitment to sharpen oversight and monitoring of spending on ODA and emphasised that ICAI is one of the principal means of conducting this scrutiny and ensuring value for money, irrespective of the spending department.

Tailored review

Cabinet Office policy is that departments review all arm's length bodies once every Parliament to challenge the need for them in function and form. DFID led a tailored review of ICAI in 2017.¹¹

The review – approved by the secretary of state and published in December 2017 – concluded that:¹²

- ICAI had effectively delivered its functions
- it has contributed to improving the impact and value for money of UK ODA
- it is a valuable component of the UK aid landscape
- it distinguishes itself from other scrutiny bodies by focusing on assessing aid impact
- ICAI should continue to exist as an advisory non-departmental public body.

The review drew 15 conclusions and made 11 recommendations. One of these recommendations was that the chief commissioner should be a full-time, rather than part-time, appointment. Since January 2018, Dr Alison Evans has been working full time as chief commissioner. Additional recommendations included:

- introducing a theory of change and strengthening performance measures to capture the full value of ICAI's work
- seeking further operational efficiencies
- extending to six weeks the length of time the government has to respond to ICAI reports
- increasing engagement with the government on review recommendations and on setting the annual work plan
- ensuring a smooth transition to a new board of commissioners in 2019.

As of the time of reporting, five of the 11 recommendations have been implemented in full, with work ongoing on the remaining six. As some recommendations are linked to the transition to a new board of commissioners, implementation of these is expected to be completed by mid-2019.

8. Corporate documents, ICAI, [link](#).

9. *Independent Commission for Aid Impact Framework Agreement*, DFID, May 2018, [link](#).

10. *UK aid: tackling global challenges in the national interest*, HM Treasury and DFID, 2015, [link](#).

11. In addition, oversight and challenge was provided by the Cabinet Office and a panel comprising a DFID non-executive director and representatives from the National Audit Office and the Institute for Government.

12. *Tailored Review of the Independent Commission for Aid Impact*, DFID, December 2017, [link](#).

Risk management

Our approach to risk management is pragmatic. We identify, manage and mitigate risks to an appropriate level in line with what is required to achieve our aims and objectives.

We have a corporate risk register which identifies and monitors ICAI's corporate risks. In addition, a programme risk register documents risks to specific ICAI reviews. We also monitor supplier risks as part of monthly contract management meetings with our supplier.

ICAI's risk registers include an assessment of gross and net risk, mitigating actions and assigned risk owners. Risk is discussed regularly, including as a standing item at every board meeting. Commissioners review risks in detail and formally approve the risk register.

The main risks identified and managed by ICAI are that ICAI fails to:

- maximise the influence of its reviews on the value for money and impact of UK aid
- maintain effective relationships with its stakeholders, including the IDC
- maintain its reputation for independence and mitigate any conflicts of interests
- ensure the service provider delivers on its contractual obligations
- maintain its quality control process
- manage media coverage and ensure that any coverage accurately reflects ICAI's work and findings
- ensure it manages its transition to a new board of commissioners in 2019 effectively
- ensure government departments less familiar with ICAI pay sufficient attention to its findings.

Annual audit

ICAI is subject to annual audit coverage, undertaken by DFID's internal audit department, to provide assurance to ICAI and DFID on the effectiveness of the systems and processes in place to manage risk and deliver objectives. This year the audit looked at the effectiveness of the processes and controls ICAI had in place for managing the transition to a new board of commissioners, and the retendering of the supplier contract. The audit recognised that ICAI had adequate controls in place to manage the risks associated with transition, and praised ICAI's good practice in learning from the previous transition to a new commissioner board in 2015.

Conflict of interest

ICAI takes conflicts of interest, both actual and perceived, extremely seriously. Our independence is vital for us to achieve real impact.

Our Conflict of Interest and Gifts and Hospitality policies are published on our website.¹³ We continue to update the Commissioners Conflict of Interests Register every six months.¹⁴ The internal register for secretariat staff is updated every six months, and all supplier team members are reviewed for conflicts of interest before beginning work on reviews.

Any conflict of interest is managed in a transparent way and decisions are taken on a case-by-case basis. The specialist nature of our work, and the requirement for strong technical input, means we need to weigh the risk of a possible or perceived conflict with the need to ensure that high-quality and knowledgeable teams conduct our reviews.

Whistleblowing

ICAI's capacity to directly investigate concerns raised by the public is limited, and not part of our formal mandate. Our whistleblowing policy can be found on our website.¹⁵

13. ICAI, Conflict of Interest Policy including Gifts and Hospitality Policy, December 2016, [link](#).

14. Commissioners Conflict of Interests Register, ICAI, [link](#).

15. Whistleblowing policy, ICAI, [link](#).

In line with the policy, when we receive allegations of misconduct we offer to put the complainant in contact either with the relevant department's investigations team, if appropriate, or with the National Audit Office's investigations function.

Safeguarding

ICAI complies with all DFID safeguarding and reporting standards. There have been no reports under this safeguarding policy between July 2017 and June 2018 involving ICAI commissioners, secretariat or suppliers, and no historical cases have been identified.

Relocation

During the past year ICAI relocated from its previous office in the Scotland Office to the Wales Office, both of which are on Whitehall in central London. This move was required as part of a wider government building project involving the Scotland Office. The move was successfully completed in January 2018 with no days lost to operational disruption.

4 Financial summary

This chapter sets out:

- the overall financial position of ICAI
- ICAI's work cycle
- expenditure from July 2017 to June 2018
- spending plans for the forthcoming year.

Overall financial position

ICAI has been allocated a budget of approximately £13.5 million from 2015-19. We estimate that we will have spent £9.2 million by the end of June 2018, which will leave approximately £4.3 million available to spend by June 2019.

ICAI's work cycle

ICAI implements a rolling programme of reviews. On average, full ICAI reviews take around nine months to complete and the shorter rapid reviews take around six months to complete.

To ensure a smooth production pipeline, work on our reviews cuts across both financial (April to March) and ICAI (July to June) years. This means that in any given year, work is undertaken on reviews that will be published within the year and reviews that will be published in the following year. Therefore, total costs reported below for July 2017 to June 2018 include some costs for reviews published in 2017-18 and some costs for reviews that will be published in 2018-19. The total costs reported for July 2017 to June 2018 do not equate to the total cost of all reviews published this year. We have included a separate section (see Table 3) which sets out supplier costs per review for reviews published in 2017-18.

Expenditure from July 2017 to June 2018

Table 2 provides a breakdown of 2017-18 expenditure. The table includes actual expenditure for July 2017 to March 2018, and forecasts for the period April to June 2018.

Between July 2017 and March 2018, ICAI spent £3.2 million. We anticipate spending a further £1 million between April and June 2018, meaning that by the end of the ICAI year, we will have spent around £4.2 million.

Table 2: Expenditure July 2017 to June 2018

Area of spend	Actual expenditure July 2017 to March 2018 (£k)	Forecast expenditure April to June 2018 (£k)	Total forecast expenditure in 2017-18 (£k)
Supplier costs	2,507	811	3,318
Engagement activities	5	2	7
Total programme spending	2,512	813	3,325
Commissioner honoraria	124	45	169
Commissioner expenses	4	1	5
Commissioner country visit travel, accommodation and subsistence	12	5	17
Commissioner training	0	1	1
FLD* secretariat staff costs	240	92	332
FLD* staff expenses	1	1	2
FLD* staff country visit travel, accommodation and subsistence	6	2	8
FLD* staff training	1	2	3

Area of spend	Actual expenditure July 2017 to March 2018 (£k)	Forecast expenditure April to June 2018 (£k)	Total forecast expenditure in 2017-18 (£k)
Total frontline delivery (FLD)* spending	388	149	537
Secretariat staff costs	229	79	308
Staff expenses	0	1	1
Staff country visit travel, accommodation and subsistence	3	2	5
Staff training	4	2	6
ICAI accommodation and office costs	30	14	44
Total administrative spending	266	98	364
Total	3,166	1,060	4,226

*FLD or frontline delivery costs relate to staff and associated expenses which are directly associated with running programmes.

The total spend of £4.2 million is an increase of around £1.4 million on the spend in 2016-17.

ICAI spends the majority of its money on supplier costs. In 2017-18, costs to the supplier consortium for its work in producing reviews (programme spend) will be around £3.3 million compared to £2 million in 2016-17.

Programme spend has increased for two main reasons. First, we have progressed our pipeline of 2018-19 reviews earlier this year and thus incurred more expenditure against those reviews compared to the equivalent time last year. Our pipeline is designed to achieve our corporate objective of delivering six to eight full reviews per year together with a selection of other products, including rapid reviews, follow-up reports, information notes for the IDC and the annual report. Second, the average cost of reviews this year has increased because the review topics have in some cases been broader in scope or complexity (for example value for money, the CSSF, procurement part 2, Syria), requiring more and deeper evidence to achieve ICAI's high standard of scrutiny.

ICAI's administration budget will continue to be carefully managed to ensure that all expenditure contributes directly to meeting ICAI's objectives. In keeping with the tailored review recommendation in 2017, we will be seeking efficiency savings on relevant administration costs.

Table 3: Supplier costs for reviews published in 2017-18

Review	Total costs paid to the supplier
Achieving value for money through procurement – Part 1: DFID's approach to its supplier market	£196,000
DFID's approach to value for money in programme and portfolio management	£397,000
Global Challenges Research Fund (rapid)	£142,000
Building resilience to natural disasters	£349,000
The UK aid response to global health threats	£291,000
The Conflict, Stability and Security Fund's aid spending	£314,000
DFID's approach to disability in development (rapid)	£125,000
The UK's humanitarian support to Syria	£400,000
DFID's governance work in Nepal and Uganda	£320,000
Follow-up of Year 6 reviews	£161,000
Annual report 2017-18*	£7,000*

*The annual report is compiled by the ICAI secretariat with minimal support from the supplier.

Table 3 sets out total supplier costs for each review published in 2017-18.

The variation in the costs of ICAI reviews is driven by:

- the breadth of the topic under review
- the methodological approach required to provide robust, credible scrutiny of the topic (including whether and how many country visits may be required).

Where relevant, our reviews entail country visits. Commissioners undertook nine country visits and ICAI secretariat staff visited a further five countries as part of the evidence gathering for reviews. Visits to fragile states cost more than those to non-fragile states because of the additional security costs.

The tailored review of ICAI in December 2017 recommended that ICAI show the full cost of reviews (including commissioner and secretariat costs). ICAI will begin to calculate this for reviews published in 2018-19.

Spending plans for 2018-19

At the end of the ICAI year 2017-18, we plan to have spent £9.2 million, leaving approximately £4.3 million for the final year under our current board of commissioners.

Lessons learned following the transition from the previous commissioner board in 2015 and the corresponding hiatus in review production at the start of 2015-16 have led us to plan the transition to the next commissioner board in 2019 carefully. We have scheduled a transitional period of dual running during the last six months of the current commissioner board's tenure between January and June 2019.

ICAI has designed its work plan so that the bulk of the work associated with 2018-19 reviews will be completed early in the first half of the year. In this way we hope to de-risk the transition process and minimise the additional staffing resource and related costs required to manage the transition process.

Based on the current work plan, we anticipate spending a total of around £3.5 million between July 2018 and June 2019 and we estimate that £650,000 of this will be costs related to the transition to a new commissioner board. These transition costs include payments to the new service provider for initiation of the 2019-20 reviews, together with induction and review initiation work by incoming commissioners before the completion of the current commissioners' terms in July 2019.

During 2018-19, we will continue to strive for value for money in the use of our budget. We will also continue to ensure that our approach and ways of working mirror best practice and deliver our complex reviews cost-effectively.

5 ICAI objectives and key performance indicators

This chapter sets out ICAI key performance indicators (KPIs) and performance against them during the year. The KPIs cover:

- overall number and type of reviews published
- number of recommendations made
- levels of media/public engagement with our work
- performance against budget.

In 2017-18, ICAI has performed well against its KPIs, meeting the targets set.

Table 4: Summary of performance against KPIs

Key performance indicator	Outcome
Reviews published	9 reviews 2 corporate reports
Number of recommendations made	47 made* 18 accepted 10 partially accepted 0 rejected
External engagement**	12 engagement events 6 industry events Over 4,800 Twitter followers Over 7,800 review views on the ICAI website 76 mentions in national or trade press
Finance	ICAI operates within authorised budget

* Government responses to 19 recommendations made across 3 reviews published in May and June 2018 are due after this report has been published.

** External engagement figures refer to the period July 2017-May 2018.

ICAI completed nine reviews, a follow-up review of last year's recommendations and this annual report. In total there were six performance reviews, one learning review, two rapid reviews and two corporate reports.

As of January 2018, the government has six weeks to publish a response to an ICAI review.¹⁶ By the end of May 2018, we had received responses from government for six of our reviews published in 2017-18. Responses to the remaining three reviews are due between late June and early August 2018. 18 of our recommendations from the reviews in 2017-18 have been accepted in full by the government, and ten partially accepted. No recommendations have been rejected. ICAI is pleased that 100% of our recommendations were accepted or partially accepted. However, we recognise that the indicator is of limited value on its own, and therefore also use the richer qualitative analysis in our follow-up review, which assesses whether recommendations from our previous reports have been implemented effectively by the relevant departments.

16. Before this date, the government was given three weeks to provide its response.

Table 5: Government response to recommendations in 2017-18 reviews

Review	Number of recommendations made	Number accepted	Number partially accepted	Number rejected
The Global Challenges Research Fund	4	3	1	0
Achieving value for money through procurement – Part 1: DFID’s approach to its supplier market	4	3	1	0
The UK aid response to global health threats	4	3	1	0
DFID’s approach to value for money in portfolio and programme management	5	2	3	0
Building resilience to natural disasters	5	3	2	0
The Conflict, Stability and Security Fund’s aid spending	6	4	2	0
DFID’s approach to disability in development*	6	-	-	-
The UK’s humanitarian support to Syria*	8	-	-	-
DFID’s governance work in Nepal and Uganda*	5	-	-	-
Total	47	18	10	0

* Response not due by publication deadline.

Follow-up on 2016-17 reviews

Through the annual follow-up review, we found a range of positive actions relating to 2016-17 ICAI reviews, leading to significant progress in a number of areas of UK aid, most notably:

- **Managing the Prosperity Fund:** Our review of the Prosperity Fund warned that the rapid scale-up of the Fund posed significant value for money risks, given the responsible department’s relative inexperience with managing large-scale aid programmes. The Treasury accepted our recommendation to slow down the rate of spending, extending the lifetime of the Fund by a year, while slightly reducing its total planned spending from £1.3 billion to £1.22 billion.
- **Marginalised girls’ education:** In February 2018, DFID launched a new education policy, which included a strong focus on reaching marginalised girls, reflecting ICAI’s recommendations. This was further supported by new value for money guidance which has a greater focus on equity and provides DFID programmes with a clearer direction for targeting marginalised groups despite the additional effort and costs that this can entail. We also found that DFID had made efforts to ensure that its flagship centrally managed programme on marginalised girls’ education, the Girls Education Challenge, is better aligned with its in-country programmes.
- **Do no harm:** A key principle of good development practice is that aid programmes should avoid causing inadvertent harm to vulnerable individuals, particularly in conflict-affected settings. Our reviews of the UK’s aid response to irregular migration and the use of UK aid to address conflict and fragility in Somalia recommended that interventions should be underpinned by careful analysis of

the drivers of conflict and human rights risks. In our review of cash transfers, we recommended greater attention on mitigating the risks of harm, such as increased domestic violence, to women beneficiaries. We found that DFID has taken action to strengthen analysis and risk management in all three cases. Regarding irregular migration, for example, the government implemented several measures to improve joint risk assessments and mitigation activities, including putting in place strong procedures to ‘do no harm’ in a new flagship programme on migration. But we also noted that the cross-government Conflict, Stability and Security Fund (CSSF) has more to do in this area.

- **Inclusive growth:** Our review of DFID’s approach to inclusive growth in Africa recommended improvements in the diagnostic tools that DFID uses to design its country portfolios, in the areas of inclusivity, political economy analysis and prioritisation. DFID is now developing a new generation of diagnostic tools that address many of the concerns underpinning ICAI’s recommendations.

Effective accountability

Our relationship with the IDC is vital in ensuring effective scrutiny of UK aid. We have worked closely with the committee’s members and clerks throughout the year, for example supporting its inquiry into the definition and administration of ODA with an in-depth briefing note. This strong relationship has bolstered parliamentary scrutiny, with ICAI’s reviews frequently being cited by IDC members when probing the government.

The IDC has also continued to sign off ICAI’s work plan and hold public hearings into ICAI reviews. A change in the format of these hearings, so that ICAI and the government appear at the same time and can therefore respond to each other, has proved successful.

Paul Scully MP, chair of the IDC’s sub-committee on the work of ICAI, said:

“ ICAI has made a key contribution to the Committee’s work during the year. Its reports have been of a consistently high quality, and its appearances before the Committee have always been constructive.

I’m particularly grateful to ICAI for submitting evidence to the Committee’s inquiry on the definition and administration of ODA, and for embracing the switch to a one-panel format for sub-Committee sessions.

Having ICAI and government witnesses appearing on the same panel enables them to respond to each other’s points and makes the sessions more dynamic. ”

External engagement

From July 2017 to the end of May 2018, ICAI held 12 learning events focused on our reviews with relevant government departments, civil society organisations and the private sector, and we have participated in six external events related to the wider context of aid scrutiny.

ICAI’s digital presence continues to grow. ICAI now has over 4,800 Twitter followers, an increase of over 20% since June 2017. There has been steady traffic to the ICAI website with over 7,800 unique downloads of reviews published since July 2017.

ICAI reviews continue to attract national and trade press coverage, with 76 mentions of reviews published this year.

Efficiency

ICAI continues to deliver its planned programme of work within budget. Overall in the financial year 2017-18, ICAI remained within its budget by operating with tight financial controls over key spend areas. ICAI continues to scrutinise all areas of its expenditure to drive continued improvements in its operational efficiency.

Annex 1 ICAI’s work plan July 2018 to June 2019

ICAI’s current projected work plan for July 2018 to June 2019 is set out below. In addition, we will carry out the annual follow-up review which looks back at previous recommendations.

Leaving no one behind	Crises, resilience and stability	Inclusive growth	Transparency, accountability and empowerment	Cross-cutting
DFID’s contribution to improving maternal health	The UK’s approach to funding the UN humanitarian system	CDC’s investments in low income and fragile states	DFID’s engagement with civil society	Procurement part 2: Does DFID maximise value for money through its tenders and contract management?
	International Climate Finance: UK aid for low-carbon development	The Newton Fund		DFID’s transport and urban infrastructure investments



This document can be downloaded from www.icaei.independent.gov.uk
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