

FRAMEWORK AGREEMENT FOR THE SPONSORSHIP RELATIONSHIP

FOR PERIOD 1 JULY 2019 TO 30 JUNE 2023

BETWEEN

THE INDEPENDENT COMMISSION FOR AID IMPACT (ICAI)

AND

THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)

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1. INTRODUCTION

This Framework Agreement sets out the governance arrangements for the Independent Commission for Aid Impact (ICAI). These are designed to ensure ICAI's propriety and value for money, while safeguarding its independence from its sponsoring department, the Department for International Development (DFID), in view of its role in scrutinising UK aid. These arrangements include:

- the respective responsibilities of DFID and ICAI;
- the principles, roles and responsibilities for interaction between Government departments and ICAI on reviews; and
- the oversight role of the International Development Committee (IDC), to which ICAI reports to preserve its independence.

1.1 The Framework Agreement

- 1.1.1 This Framework Agreement has been agreed by DFID and ICAI. Additionally, Annex A, which relates to the interaction between ICAI and all Government departments which spend Official Development Assistance (ODA), will be signed by the Permanent Secretaries – as Principal Accounting Officers – for the relevant departments.
- 1.1.2 Subject to the provisions of the International Development Act 2002, this document establishes the broad framework within which ICAI will operate. However, the management statement and financial memorandum do not convey any legal powers or responsibilities.
- 1.1.3 Nothing in this framework agreement is intended, nor should be interpreted, as imposing or seeking to impose any limitations on ICAI's independent operational decision-making, including (but not limited to) its decisions on carrying out its functions to examine spending by Government departments on ODA.
- 1.1.4 This agreement is intended to set out a governance framework through which assurance will be provided that ICAI is operating in a way which satisfies Government requirements for the operation of non-departmental public bodies and the expenditure of public money in support of DFID and ICAI's responsibilities to Parliament and others.
- 1.1.5 The associated financial memorandum, which forms part of this document, sets out the financial provisions that ICAI shall observe.
- 1.1.6 This Framework Agreement applies from 1 July 2019 to 30 June 2023. In accordance with the Cabinet Office's Public Bodies Reform agenda, a formal review of ICAI took place in 2017 and relevant recommendations from that

review are reflected in this Agreement. The agreement will be subject to a light touch annual review by DFID and ICAI to ensure it remains relevant and accurate.

1.1.7 ICAI, or the Secretary of State for International Development, may propose amendments to this document at any time and revisions can be made with the agreement of both parties. Any such proposals by ICAI shall be considered in the light of evolving Government policy aims, operational factors and the track record of ICAI itself. The guiding principle shall be that the extent of flexibility and freedom given to ICAI shall reflect both the quality of its internal controls and its operational needs. The Secretary of State may choose to consult the IDC on proposed changes to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be confirmed with HM Treasury or the Cabinet Office as appropriate (the definition of “significant” will be determined by DFID in consultation with HM Treasury and/or the Cabinet Office).

1.1.8 This document is to be signed and dated by DFID and ICAI.

1.1.9 Any question regarding the interpretation of the document shall be resolved by DFID and ICAI mutually after consultation, as necessary, with HM Treasury and/or the Cabinet Office.

1.1.10 Copies of this document and any subsequent substantive amendments shall be placed in the Libraries of both Houses of Parliament, made available to members of the public on ICAI’s website, and shared with all ODA providing Government departments.

1.2 Status and Classification

1.2.1 For policy and administrative purposes, ICAI is classified as an Advisory Non-Departmental Public Body (NDPB).

1.2.2 For national accounts purposes, ICAI is classified to the central government sector.

1.2.3 References to ICAI include all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If ICAI establishes a subsidiary or joint venture, there shall be a document setting out the arrangements between it and ICAI agreed with DFID.

2. ICAI's ROLE, FUNCTIONS AND STRUCTURE

2.1 ICAI's Role and Functions

2.1.1 ICAI's remit, which was reaffirmed in its 2017 Tailored Review, is to provide independent evaluation and scrutiny of the impact and value for money of all UK Government ODA. ICAI will:

- carry out a small number of well-prioritised, well-evidenced, credible, thematic reviews on strategic issues faced by the UK Government's aid spending;
- inform and support Parliament in its role of holding the UK Government to account;
- ensure its work is made available to the public.

2.2 ICAI's Structure

2.2.1 ICAI consists of the following elements:

- a full time Chief Commissioner who heads a small Board including two part-time Commissioners (all appointed by the Secretary of State for International Development) who, together, take strategic decisions on what should be evaluated, gather evidence about results and oversee a contracted service provider which carries out work on ICAI's behalf; and
- a Secretariat consisting of civil servants led by a Head of Secretariat. The role of the Secretariat is to support the Commissioners in their work, manage the work of the service provider on a day-to-day basis and act as a liaison point between the Commissioners and Parliament, the public, the media and government departments.

3. GOVERNANCE AND ACCOUNTABILITY

3.1 The Secretary of State for International Development

3.1.1 The Secretary of State for International Development is ultimately accountable to Parliament for the activities of ICAI. The Secretary of State's responsibilities include:

- approving the corporate governance framework within which ICAI will operate as set out in this Framework Agreement;
- answering for ICAI in Parliament given the DFID's sponsorship responsibilities (ICAI will also be called regularly in its own right to give evidence before the IDC – and other select committees as appropriate - in respect of its reviews);

- securing Parliamentary approval for the amount of funds to be paid to ICAI;
- carrying out responsibilities specified in the Framework Agreement including appointments to the ICAI Board of Commissioners, approving the terms and conditions of Commissioners, appointment of and periodic meetings with the Chief Commissioner; and
- engaging as the Secretary of State deems necessary with ICAI in support of the Secretary of State's duties under Section 5 of the International Development (Official Development Assistance Target) Act 2015.

3.2 The UK Parliament

3.2.1 The parties agree and understand that they will seek the agreement of Parliament through the IDC to:

- agree ICAI's annual work plan, and any significant changes to the work plan (see section 4.1);
- monitor the performance of ICAI against its plans and targets; and
- monitor the performance of the Chief Commissioner and contribute to the assessment of the Chief Commissioner's performance as set out in 3.5 below.

3.3 The Principal Accounting Officer

3.3.1 DFID's Permanent Secretary, as the Principal Accounting Officer, is responsible for DFID's overall organisation, management and staffing and for ensuring that there is a high standard of financial and other management in the Department as a whole. The Principal Accounting Officer is accountable to Parliament for funding to ICAI. The Principal Accounting Officer will designate the Head of Secretariat of ICAI as its Accounting Officer. The Principal Accounting Officer may withdraw the accounting officer designation if he or she believes that the incumbent is no longer suitable for the role.

3.3.2 In particular, the Principal Accounting Officer shall ensure that:

- the financial and other management controls applied by DFID to ICAI are appropriate, proportionate and sufficient to safeguard public funds and ensuring that ICAI's compliance with those controls is effectively monitored ("public funds" include any funds granted to ICAI by Parliament or falling within the stewardship of ICAI);
- the internal controls applied by ICAI conform to the requirements of regularity, propriety and good financial management;

- any funding to ICAI is within the ambit and the amount of the Request for Resources and that Parliamentary authority has been sought and given; and
- an annual evaluation of the performance of the Chief Commissioner is carried out, led by a non-executive member of the DFID Board, and involving substantial input from the Chair of the IDC, alongside other stakeholders, including an assessment of whether ICAI is operating in line with functions set out in 2.1.

3.3.3 The respective responsibilities of the Principal Accounting Officer and Accounting Officers for NDPBs and other Arm's Length Bodies are set out in Chapter 3 of *Managing Public Money*, which is sent separately to the ICAI Accounting Officer on appointment.

3.4 The Sponsorship Team in DFID

3.4.1 Within DFID, the Permanent Secretary will maintain a sponsorship team for ICAI. The sponsorship team, in consultation as necessary with the Principal Accounting Officer and others, is the primary source of advice to the Secretary of State on the discharge of his or her responsibilities in respect of ICAI, and the primary point of contact for ICAI in dealing with DFID. The sponsoring team shall carry out its duties under the Director General – Corporate Performance Group (CPG).

3.4.2 The sponsorship team shall, after appropriate consultation with ICAI and the IDC, advise DFID's Director General – CPG, Permanent Secretary and Secretary of State on:

- an appropriate budget for ICAI in the light of the UK Government's overall public expenditure priorities; and
- how well ICAI is meeting its corporate governance obligations, including whether it is handling its resources in accordance with *Managing Public Money*, and other matters as set out in this Framework Agreement.

3.4.3 In support of the Principal Accounting Officer, the sponsorship team will:

- engage with ICAI on its budgeting, finance and governance control and risk management and address any issues arising while respecting ICAI's operational independence;
- inform ICAI of relevant Government policy and directives relating to NDPBs in a timely manner; advise on the interpretation of that policy; and issue specific guidance to ICAI as necessary; and

- bring any concerns about activities to the attention of the delegated Accounting Officer and Commissioners and ensure that ICAI has taken appropriate action.

3.5 The Chief Commissioner

3.5.1 The Chief Commissioner is appointed by, and responsible to, the Secretary of State. DFID oversees the recruitment process for the Chief Commissioner, following the Governance Code on Public Appointments, and is supported by an advisory assessment panel comprised of a senior independent panel member and representatives from ICAI, the IDC, and DFID. The appointment is for a single four-year term with the possibility of a short term extension, as required, to facilitate effective transition.

3.5.2 The Chief Commissioner reports on ICAI's performance directly to Parliament, through the IDC, as set out in the exchange of letters between the Secretary of State for International Development and the Chair of the IDC on reporting arrangements for ICAI. The Chief Commissioner and other Commissioners (see section 3.6) are also responsible for giving evidence to the IDC's ICAI sub-committee in respect of ICAI's thematic reviews. The Chief Commissioner shall aim to ensure that ICAI's affairs are conducted with probity. The Chief Commissioner shares with other Commissioners and the Secretariat the responsibility for ensuring ICAI adheres to this Framework Agreement and its annexes, including any agreed amendments to these.

3.5.3 The Secretary of State will approve the terms and conditions of the Chief Commissioner. The role, functions and remuneration for the Chief Commissioner is set out in a formal job description included in his or her letter of appointment. In particular, the Chief Commissioner has a responsibility to:

Set ICAI's direction & oversee reviews

- lead the ICAI Board, oversee and set direction for the delivery of reviews that provide independent evaluation and scrutiny of the impact and value for money of all UK Government Official Development Assistance;
- establish ICAI's overall strategic direction within the policy and resource framework determined by Government and ensure those resources are managed effectively and reflect the organisation's role and values;
- inform and support Parliament in its role of holding the UK Government to account, reporting to the International Development Committee on ICAI's work;
- lead the development of ICAI's work programme, ensure commissions are strategically focused and well prioritised, and focus on the delivery of well-evidenced, high quality, thematic reports;

- ensure review consistency and impact through detailed engagement across and within reviews;
- contribute to continuous improvement in the impact of UK aid, through monitoring implementation of ICAI findings and ensuring their dissemination;
- provide leadership, challenge and direction to ICAI Commissioners, the Secretariat and contractors, enabling these component parts to operate as one first-class aid scrutiny body;
- encourage the maintenance of the highest standards of propriety;

Build effective relationships with key stakeholders

- build effective relationships with key stakeholders, including the International Development Select Committee and government departments providing Official Development Assistance;
- oversee implementation of relevant recommendations from the 2017 Tailored Review of ICAI, and any subsequent reviews, and ensure effective transition into Phase 3 and appropriate transition to Phase 4;

Ensuring strong statutory and administrative governance

- ensure that any statutory or administrative requirements for the use of public funds are complied with; that ICAI operates within the limits of its delegated authority agreed with DFID, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, ICAI takes account of guidance issued by DFID;
- ensure that mechanisms are in place to review regular financial information concerning the management of ICAI; that ICAI has sufficient information to perform its functions and is able to provide positive assurance to DFID that appropriate action has been taken on any concerns which it has expressed on the activities of ICAI;
- act in a way that promotes high standards of public finance, including the promotion of regularity, propriety, value for money and feasibility; and

3.5.4 The Chief Commissioner shall also:

- represent ICAI on the appointment panel for the other Commissioners (but not future Chief Commissioners);
- ensure that all Commissioners, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and

responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences, which may exist between private and public sector practice;

- advise the Secretary of State, through the sponsorship team, of the needs of ICAI when Commissioner vacancies arise, with a view to ensuring a proper balance of professional, financial and other relevant expertise; and
- assess the performance of individual Commissioners.

3.5.5 The Chief Commissioner shall also ensure that ICAI follows the Code of Practice for Board Members of Public Bodies and that Commissioners complete an annual return on personal codes of conduct. The Code shall commit the Chair and other Commissioners to the Nolan principles of public life and shall include a requirement for a comprehensive register of Commissioners' interests to be put in place, available to the public on request.

3.5.6 Communications between ICAI and the Secretary of State shall normally be through the Chief Commissioner. The Chief Commissioner shall ensure that the other Commissioners are kept informed of such communications.

3.6 The Commissioners

3.6.1 The maximum number of Commissioners is two members, plus the Chief Commissioner. Commissioners are appointed by the Secretary of State. DFID oversees the recruitment process for Commissioners, following the Governance Code on Public Appointments, and involves an independent assessor, and representatives of the IDC and ICAI on the advisory assessment panel, with the Secretary of State making the final decision. Each appointment is for a single four-year term with only the possibility of short-term extension to facilitate effective transition. The performance of individual Commissioners will be evaluated on an annual basis by the Chief Commissioner.

3.6.2 The Commissioners are independent from Government and report to the Chief Commissioner, and through him or her, to Parliament via the IDC. The responsibilities of each Commissioner will be set out in formal role descriptions and is included in their letter of appointment. Collectively, Commissioners have corporate responsibility for ensuring that ICAI fulfils its aims and objectives and for promoting the efficient and effective use of staff and other resources by ICAI and supporting the Chief Commissioner in the matters set out in section 3.5.3.

3.6.3 Individual Commissioners shall act in accordance with their wider responsibility, namely to:

- comply at all times with the Code of Practice that is adopted by ICAI and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- consult the ICAI Accounting Officer concerning potential conflicts of interest concerning future employment;
- comply with ICAI's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of ICAI.

3.6.4 As set out in section A5.4B of *Managing Public Money*: “The government has indicated that an individual board member who has acted honestly and in good faith will not have to meet out of his or her personal resources any personal civil liability which is incurred in the execution or the purported execution of his or her board functions, save where the board member has acted recklessly”.

3.7 The Delegated Accounting Officer

3.7.1 The Head of Secretariat of ICAI is designated as Accounting Officer for ICAI by DFID's Principal Accounting Officer. The terms of the delegation are set out in a letter from the Principal Accounting Officer.

3.7.2 The Delegated Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of ICAI. In addition, he or she should ensure that ICAI as a whole is run on the standards, in terms of governance, decision-making and financial management, that are set out in Box 3.1 of *Managing Public Money*.

3.7.3 As Accounting Officer, the Head of Secretariat shall exercise the following responsibilities in particular:

On planning and monitoring –

- together with the Board of Commissioners, ensure that ICAI functions in accordance with this Framework Agreement, its annexes and any agreed amendments to these;

- ensure ICAI's annual forward budget proposal is prepared in accordance with section 4.3;
- ensure that timely forecasts and monitoring information on finance and governance performance are provided to DFID; that DFID is notified promptly if over- or underspends are likely and that corrective action is agreed and taken, including any adjustments required to DFID's Main or Supplementary Estimates; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to DFID in a timely fashion;

On advising Commissioners and ICAI staff –

- advise Commissioners and ICAI staff on the discharge of their responsibilities as set out in this document and in any other relevant instructions and guidance that may be issued from time to time;
- advise Commissioners on ICAI's performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by Commissioners at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical;
- take action, as set out in *Managing Public Money*, if ICAI, or the Chief Commissioner, is contemplating a course of action involving a transaction which the Delegated Accounting Officer considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness, is of questionable feasibility, or is unethical;
- maintain a comprehensive system of internal delegated authorities which are notified to staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective personnel management policies are maintained;

On managing risk and resources –

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;

- ensure that all public funds made available to ICAI including any approved income or receipts are used for the purpose intended by Parliament, and that such monies together with ICAI's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by ICAI, including effective measures against fraud and theft;

On accounting to Parliament for ICAI's activities –

- sign the accounts and be responsible for ensuring that proper records are kept relating to the Annual Report, including accounts and that the accounts are properly prepared and presented in accordance with any directions issued by DFID;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the Annual Report and Accounts;
- prepare and sign a Statement of Assurance regarding ICAI's system of risk management and internal control, for inclusion in the Annual Report and Accounts;
- ensure that effective procedures for handling complaints about ICAI are established and made widely known within ICAI;
- act in accordance with the terms of this document and with the instructions and guidance in *Managing Public Money* and other instructions and guidance issued from time to time by the Treasury and the Cabinet Office; and
- give evidence, normally with DFID's Accounting Officer, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by ICAI.

On responsibilities to ICAI -

- advise ICAI on the discharge of its responsibilities as set out in this document and in any other relevant instructions and guidance that may be issued from time to time.

3.8 Delegation of Duties

3.8.1 The Head of Secretariat may delegate the day-to-day administration of the Accounting Officer responsibilities to appropriate staff, in circumstances approved by the Chief Commissioner. However, he or she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.9 Principal Officer for Ombudsman Cases

3.9.1 The Chief Commissioner is the Principal Officer for handling cases involving the Parliamentary Commissioner for Administration. As Principal Officer he or she shall inform the Permanent Secretary of DFID of any complaints about ICAI accepted by the Parliamentary and Health Service Ombudsman for investigation, and about ICAI's proposed response to any subsequent recommendations from the Ombudsman.

4. PLANNING, BUDGETING, CONTROL AND ASSURANCE

4.1 The Annual Work Plan

4.1.1 ICAI will agree an annual work plan with the IDC. The work plan will set out the studies ICAI intends to carry out for the year ahead. The work plan may be varied from time to time, subject to the agreement of the IDC.

4.1.2 In order to ensure the independence of ICAI's decision-making, the annual work plan is not subject to approval by DFID or any other Government department.

4.1.3 DFID, other Government departments and ICAI understand that the IDC may monitor the performance of ICAI against its plans and targets and may monitor the performance of the Chief Commissioner and contribute to the assessment of the Chief Commissioner's performance.

4.1.4 Annual meetings will take place between the ICAI Chief Commissioner and the Secretary of State to discuss the annual work plan and other priority issues.

4.1.5 Subject to any commercial considerations, the work plan will be published or made available on ICAI's website.

4.2 Corporate Plan

4.2.1 ICAI will produce a corporate plan setting out the details of how it will deliver its objectives. This will be published on ICAI's website.

4.3 The Annual Forward Budget Proposal

4.3.1 ICAI will submit an annual forward budget proposal to DFID in accordance with dates agreed with DFID. The proposal will set out ICAI's budget plans for the next financial year.

4.3.2 In submitting the proposal, ICAI will ensure that the following matters have been taken into account and that appropriate records are maintained and made available for internal and external audit:

- ICAI's key objectives and associated key performance targets for each year covered by the plan, and its strategy for achieving those objectives, including a statement of its priorities, targets and performance indicators, including measures of output, to be used in measuring the achievement of its objectives;
- a review of ICAI's performance in the preceding financial year together with comparable outturns for the previous two years, and an estimate of performance in the current year;
- key non-financial performance targets;
- a plan for delivering agreed efficiency savings;
- an assessment of key risks which may significantly affect the execution of the plan but which cannot be accurately forecast, and alternative scenarios to take account of these; and
- other matters as agreed between DFID and ICAI.

4.4 Financial reporting

4.4.1 ICAI shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its planning documents.

4.4.2 ICAI shall take the initiative in informing DFID and the IDC of substantial changes in external conditions, of which it might reasonably be expected to be aware, which make the achievement of objectives more or less difficult, or which may require a change to its budget or plans.

4.4.3 ICAI's performance against key targets will be reported in ICAI's Annual Report (see section 5.1).

4.5 Budgeting procedures

4.5.1 ICAI's financial performance shall be reviewed formally at each meeting of the ICAI Board of Commissioners which will include representation at least once a year from DFID. It shall also be reviewed jointly, and regularly by ICAI and the DFID sponsorship and finance teams, involving DFID HR as

necessary on headcount issues. The Head of Secretariat has designated responsibility for advising the Chief Commissioner and Commissioners on any financial issues which he or she considers should be brought to their attention between meetings. For this purpose, the Chief Commissioner will meet with appropriate senior staff at regular intervals and receive reports on financial performance at intervals of not less than one month.

4.5.2 The ICAI Board of Commissioners will consider budget proposals for the following financial year in the preceding year, and recommend a budget for submission to DFID in accordance with dates agreed with DFID.

4.5.3 The recommended budget will be within the overall financial limit agreed by DFID.

4.6 Internal Audit

4.6.1 ICAI, following appropriate consultation with DFID, will annually agree internal audit coverage based on governance, risk management and control issues. The extent of such coverage should be proportional to the scale, complexity and key risks facing ICAI in order to enable the Delegated Accounting Officer to provide assurance over its operations. Confirmation of this assurance shall then be published in the Governance Statement in the Annual Report and Accounts. Conclusions of the review will be the sole property of ICAI. Internal audit reports in respect of ICAI will be made to DFID's Audit and Risk Committee. ICAI Commissioners and Secretariat staff will attend relevant meetings of the Audit and Risk Committee to discuss reports as necessary. The Delegated Accounting Officer must make the Principal Accounting Officer aware of any serious issues found by internal audit or otherwise along with detailed plans for resolving the issues.

4.6.2 The internal audit activity will be undertaken in accordance with HM Treasury's Public Sector Internal Audit Standards. All such activity will be subject to the terms of a Service Level Agreement between ICAI and DFID's Internal Audit Department, setting out the terms and level of expected service performance, including the formalisation of the independence and integrity of the ICAI audit.

4.6.3 In addition, ICAI shall forward to DFID an annual report on fraud and theft suffered by ICAI; notify any unusual or major incidents as soon as possible; and notify any changes to internal audit's terms of reference, the audit committee's terms of reference or ICAI's Fraud Policy and Fraud Response Plan.

4.7 Annual Assurance Arrangements

4.7.1 In order to support DFID's NDPB sponsorship obligations, ICAI will provide DFID with a self-certified annual statement of assurance. ICAI and DFID will determine the format of the statement. The statement will:

- be submitted by the end of April each year;
- confirm that ICAI is continuing to perform its functions and is operating in accordance with the governance arrangements as set out in this framework agreement.

4.7.2 On at least an annual basis, the DFID Executive Committee will:

- consider the findings from the reports ICAI has undertaken in the preceding year;
- assess whether there are any broad lessons that DFID should draw from the totality of ICAI studies and consider DFID's progress in implementing ICAI's recommendations; and
- meet the ICAI Board of Commissioners, to discuss recent reports and follow-up of recommendations.

5. EXTERNAL ACCOUNTABILITY

5.1 The Annual Report

- 5.1.1 ICAI must publish an Annual Report, including accounts information for the most recent financial year.
- 5.1.2 ICAI shall additionally provide to DFID annual accounts, produced in accordance with the provisions of this agreement, for each government financial year fully covered by this Framework Agreement by no later than three months after the end of the year in question. A draft of the accounts shall be provided to DFID by 30 April each year for consolidation in the draft DFID Annual Report and Accounts.
- 5.1.3 The Chief Commissioner will share a copy of the Annual Report with DFID a minimum of two working days before the proposed publication date.
- 5.1.4 The Annual Report shall be made available on ICAI's website by the end of June each year.
- 5.1.5 The Annual Report must cover any corporate, subsidiary or joint venture under its control; be prepared in accordance with the relevant statutes, comply with the Treasury's Financial Reporting Manual (FreM); and outline main activities and performance during the previous financial year and set out in summary forward plans. It must also include information about the

full and average cost of its reviews and any progress in achieving agreed efficiency plans.

5.2 ICAI Board meetings

- 5.2.1 ICAI will publish the agendas for meetings of its Board of Commissioners in advance on its website.

5.3 External audit

- 5.3.1 The National Audit Office (NAO) is the external auditor of DFID and as such the Comptroller and Auditor General (C&AG) will have rights of access to ICAI for all the NAO's statutory functions.

5.4 Right of Access

- 5.4.1 Subject to the data protection obligations of ICAI, DFID has the right of access to all ICAI's records and personnel for any purpose required in Cabinet Office and other HMG guidance and regulations pertaining to the relationship between NDPBs and Sponsorship Departments.

5.5 Correspondence and Information Management

- 5.5.1 DFID, in its capacity as sponsoring department, will remain responsible for responding to Parliamentary Questions in relation to ICAI and will consult with ICAI as appropriate in doing so. Where a Parliamentary Question relates to ICAI recommendations directed at another Government department, it will be that department's responsibility to respond.
- 5.5.2 ICAI and DFID will be responsible for responding to correspondence received from third parties which relate to their activity. ICAI and DFID will consult each other where appropriate before responding to correspondents (again, other departments will be responsible for correspondence directed at them).
- 5.5.3 ICAI will establish a protocol in consultation with DFID for the handling of any correspondence and allegations it receives which relate to fraud or safeguarding issues, including those relating to other Government departments and programmes those departments fund.
- 5.5.4 Correspondence relating to DFID's engagement with ICAI will be addressed by DFID.
- 5.5.5 ICAI is responsible for ensuring that ICAI and its contractors comply with data protection legislation when processing personal data, including the General Data Protection Regulation. DFID will provide support and advice to ICAI in fulfilling this responsibility.

5.5.6 ICAI is a public authority under Schedule 1 of the Freedom of Information Act 2000. The Chief Commissioner will be the “Qualified Person” for the purposes of engaging the exemption at section 36 of the Act. DFID will provide support and advice to ICAI in fulfilling this responsibility.

5.5.7 The Secretariat will create and maintain its official records using designated folders on DFID’s electronic document and records management system to support obligations under the Public Records Acts.

6. STAFF MANAGEMENT

6.1 General

6.1.1 ICAI will use DFID’s recruitment, human resources and payroll systems to engage staff. ICAI will formally submit a proposal to DFID where ICAI proposes to increase or otherwise amend its agreed headcount. Secretariat staff may be employed on permanent DFID contracts, on loan from other Government departments, or on secondment from non-civil service organisations. ICAI may also recruit on a temporary, short-term contract basis to cover staffing gaps. There should be no assumption that temporary positions will automatically become permanent and pensionable employees of DFID.

6.1.2 Where an extension is proposed for staff on loan, ICAI will obtain permission for this through the relevant home Government department.

6.1.3 Within the arrangements approved by the Secretary of State, ICAI shall have responsibility for the recruitment, retention and motivation of its staff. To this end ICAI shall ensure that it conforms to DFID’s rules for the recruitment and management of staff, i.e. ICAI:

- creates an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of sex, marital status, disability, age, race / colour, ethnic or national origin, sexual orientation, being or becoming transsexual, pregnancy or extent to which an individual is of child bearing age;
- the level and structure of its staffing, including grading and staff numbers, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve ICAI’s objectives;

- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistleblowing procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- a code of conduct for staff is in place based on the Cabinet Office document *Model Code for Staff of Executive Non-Departmental Bodies* (<http://www.civilservice.gov.uk/modelcode>)

7. PROCEDURES IN THE EVENT OF WINDING UP

7.1 In accordance with Government regulations applicable to all Non-Departmental Public Bodies, in the event that ICAI is wound up, DFID shall put in place arrangements to ensure an orderly process. DFID should ensure that the assets and liabilities of ICAI are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities of ICAI should revert to DFID. To this end, DFID shall:

- undertake to meet all obligations of ICAI on the date at which notice of winding up was given, and to any supplier of goods and services for any period for which ICAI is committed;
- ensure that procedures are in place in ICAI to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of ICAI's assets and liabilities, if any exist;
- ensure that arrangements are in place to prepare closing accounts, and pass to the Comptroller & Auditor General (C&AG) for external audit, and that funds are in place to pay for such audits; and
- arrange for the most appropriate person to sign the closing financial statements. In the event that another NDPB takes on the role, responsibilities, assets and liabilities, the succeeding NDPB Accounting Officer should sign the closing financial statements. In the event that DFID inherits the role, responsibilities, assets and liabilities, the DFID Principal Accounting Officer should sign.

List of Annexes

- Annex A: Principles, Roles and Responsibilities for Interaction between Government Departments and ICAI on reviews
- Annex B: Financial Memorandum
- Annex C: Written Ministerial Statement
- Annex D: DFID Service Provision
- Annex E: List of Government- wide Corporate Guidance Instructions

Signed by the Secretary of State

Signed by the Chief Commissioner



Date: 10/9/2019

Date: 11/9/2019

Annex A: Principles, Roles and Responsibilities for Interaction between Government Departments and ICAI on reviews

1. Context

- 1.1 The aim of this annex is to set out respective roles and responsibilities and principles for interaction between Government departments with responsibility for UK Official Development Assistance (including DFID) and ICAI in the course of the review process. ICAI has the mandate to scrutinise any UK Government Official Development Assistance (ODA) spend. ICAI does not have a mandate to scrutinise ODA spend of the Devolved Administrations. Where an ICAI review involves more than one department, ICAI will engage directly with those departments during the review process. Where appropriate, DFID should play a coordination role on behalf of Government on joint responses.
- 1.2 In addition to the broad responsibilities outlined in the main part of the Framework Agreement (the management statement), the parties agree the following broad principles of engagement.

2. Principles

- 2.1 The following principles should guide interaction between the department being reviewed and ICAI.

ICAI should:

- ensure independence of staff, decision-making and the process of undertaking studies;
- demonstrate value for money, objectivity and use of evidence in its operations and approach;
- operate transparently, publishing reports on the ICAI website and ensuring they are factually accurate; and
- comply with HMG security policies, including the protection of sensitive information.

2.2 Departments under review should:

- respect the independence of ICAI staff, decision-making and reports;
- co-operate fully with ICAI in the undertaking of each study;
- provide full and unrestricted access to all relevant information and documents in a timely manner up to but not beyond Official (including Official-Sensitive) material; and
- ensure a timely response and follow up to recommendations of each report.

3. Roles and Responsibilities

3.1 The following sets out roles and responsibilities for how government departments under review and ICAI will approach the undertaking of reports, ongoing interaction and media engagement.

3.2 ICAI should:

- publish its rolling work plan on its website following agreement by the IDC, and notify the IDC and DFID of ad hoc reports in advance;
- prior to the commencement of fieldwork on each study, provide the study terms of reference to the senior official nominated by the relevant Government department for the study;
- prior to the commencement of fieldwork on each study, agree a timetable, including dates of any proposed country visits with the senior nominated official and agree in advance any subsequent variation to study dates or countries with the senior nominated official;
- publish all reports directly on its website and send a copy to the IDC and the Secretary of State; and
- monitor progress on follow up of recommendations and report to the IDC, including at public evidence sessions.

3.3 Departments under review should:

- assign a senior official (at Senior Civil Service level) for each report, responsible for providing relevant information, a timely management response and follow-up of recommendations;
- issue a written response to each report within six weeks of publication (or contribute to a joint government response where appropriate). The response should be approved at the appropriate senior level in the department (for DFID this is the Secretary of State), sent to the Chief Commissioner and copied to the IDC;
- provide information to enable ICAI to monitor follow up and ensure implementation of recommendations.

4. Media engagement

4.1 ICAI should:

- undertake media and press engagement through the Chief Commissioner or Commissioners;

- focus media comment on its reports, providing relevant information and correcting any factual inaccuracies or incorrect interpretation; and
- share press releases with relevant departmental press offices, for information only, 48 hours before report publication.

4.2 Departments under review should:

- issue a press release as appropriate, when the response issues.

5. Overseas Visits

5.1 If ICAI proposes a Rapid Review for a particular purpose (e.g. to review a humanitarian response) and the IDC agrees such a review should be carried out, departments under review will take all reasonable steps to accommodate country visits.

5.2 In preparing for and carrying out overseas visits, ICAI's Commissioners and Secretariat staff will:

- inform Heads of Country Office or UK Government Head of Mission in good time (at least 8 weeks) in advance of planned travel arrangements;
- take the advice of the designated country security officer regarding planned dates and regions for travel;
- request permission from the relevant local authorities as appropriate; and
- take direction from Heads of Office/UK Government Head of Mission and designated security officer regarding timing, safety and suitability of planned travel.

5.3 DFID's duty of care policy and procedures apply to ICAI secretariat staff and commissioners who are required to adhere to them.

Annex B: Financial Memorandum

ICAI - Delegation of Financial Responsibilities 2019 to 2023

This annex sets out the formal delegation for the Independent Commission for Aid Impact (ICAI) from 2015-2019.

ICAI is provided with a total delegated budget. The ICAI Board of Commissioners will consider annual budget proposals for the following financial year and recommend a budget for submission to DFID in accordance with dates agreed with DFID. The recommended budget will be within the overall delegated budget. The annual budgets approved will form the basis of the business plan for the following year.

The delegated budget is an indicative commitment for the years 2015/16 to 2018/19. Final figures will be set on an annual basis following agreement between DFID and ICAI. Setting a multi-year funding indicative commitment supports ICAI's independence and ability to manage its resources effectively in the medium-term.

In line with HMG policy, if there is any request for increase in budgets outside the limits specified in this annex, ICAI will prepare a business case that DFID will consider.

ICAI has complete discretion in the performance of its duties and a duty to do so efficiently and cost effectively, within its budgetary delegation, and in line with the budgetary authority provided for by a multi-year settlement. ICAI has maximum discretion over its use of resources. No further restrictions to the delegated authority provided to ICAI are specified beyond those required by guidance applying across government and the framework for the proper, regular and efficient use of public funds.

Government and HM Treasury policies will apply to ICAI. ICAI's financial management responsibilities include:

- **the guidance set out in Managing Public Money:** in particular, ICAI cannot incur expenditure for any purpose which is or might be considered novel or contentious, or be repercussive without HM Treasury approval. If ICAI wish not to follow this guidance, permission should first be sought from HM Treasury. Please see <https://www.gov.uk/government/publications/managing-public-money>
- **cross government expenditure limits:** a table of limits for expenditure in certain operational areas where HM Treasury will not normally approve spending without Cabinet Office agreement is provided below.

HM Treasury will not normally approve without Cabinet Office agreement:	Spend over
Advertising, marketing and communications	£100,000 or above.

Commercial Control, and dispute disclosure	Any commercial transaction valued over £10 million or more.
	<p>Any material change to services affecting a contract, with an estimated value of £10 million or more, which results in a contract variation.</p> <p>Organisations should inform the Cabinet Office of all disputes with any supplier which are likely to result in a payment, either from or to the supplier, in excess of £10 million (including legal costs).</p>
Digital and technology, including ID assurance	<p>£0 (no lower limit) for any digital projects using ID assurance for general public, domain registration, external facing digital transaction, website or mobile apps.</p> <p>£100,000 for digital expenditure.</p> <p>£1 million for expenditure on services also delivered by Independent Shared Service Centres (current or new back office/administrative systems, including ERP systems, HR systems, finance/accounting systems, procurement systems.</p> <p>£5 million for technology expenditure, including all sub components in a request e.g. a website and service supported by a series of contracts such as hosting, data centres, voice and video, security, securing third party support. Includes expenditure related to PSN.</p>
Consultancy	All consultancy expenditure above £20,000 in cases where: new contracts are expected to exceed 9 months, existing contracts are to be extended beyond 9 months, or the expenditure is on procurement related consultancy.
Property, including facilities management (FM)	<p>Rental expenditure above £100,000 during the life of the lease commitment.</p> <p>Approval must be sought for all new and extended FM contracts, regardless of financial commitment.</p>
Redundancy and compensation	<p>All schemes must be approved by Cabinet Office.</p> <p>Access to any ring-fenced expenditure will not normally be agreed by HM Treasury without Cabinet Office approval for the scheme.</p>

External recruitment	<p>Cabinet Office is not directly involved in recruitment approvals.</p> <p>In ministerial departments and in scope non-departmental public bodies (NDPBs), approval is the responsibility of the Secretary of State. In non-ministerial departments, it is the responsibility of the chief executive.</p> <p>Departments are required to submit quarterly</p>
	recruitment forecasts and accompanying narrative to Cabinet Office.
Learning and development (Civil Service Learning)	<p>Generic learning and development (L&D) services (new or contract extensions) outside core curriculum.</p> <p>Department-specific L&D services above £10,000 (new or contract extensions).</p>

- **cross government transparency guidance**
<https://www.gov.uk/government/publications/guidance-for-publishing-spend-over25000>
- **cross government guidance** that departments and other public bodies should only use Government Banking Service bank accounts and not commercial accounts.

These arrangements will be reviewed and revised as necessary.

Annex C: Written Ministerial Statement

7 December 2017

Publication of the tailored review of the Independent Commission for Aid Impact (ICAI)

The Secretary of State for International Development (Penny Mordaunt):

I am today publishing a mandated review of the Independent Commission for Aid Impact (ICAI), in accordance with my responsibility as the Minister accountable to Parliament for it. In line with standard Cabinet Office guidance the review examined the case for ICAI to exist and assessed its efficiency and governance arrangements. In recognition of ICAI's role as a scrutiny body, an independent Challenge Panel was appointed to ensure the objectivity and impartiality of the review process, and included members of the National Audit Office and Institute for Government. The Cabinet Office was satisfied that the review demonstrated an appropriate level of independence. The review acknowledges the importance of ICAI's independence and its recommendations have been formulated to ensure this is preserved. The review gathered evidence from a wide range of stakeholders, drawn from Parliament, government, the wider development sector and ICAI itself.

The review concluded that ICAI is necessary and that it should continue to be delivered by ICAI in its current form as a Non-Departmental Public Body with advisory functions. ICAI's functions are of particular importance given the statutory obligation for independent evaluation of the impact and value for money of aid arising from the 2015 International Development (Official Development Assistance Target) Act.

The review found that ICAI's work has contributed to increasing the impact and value for money of UK aid, and that ICAI is appreciated across the development sector for its scrutiny of aid impact. The review made a number of recommendations for further improving ICAI's effectiveness, including by developing improved measures of its own performance and by adopting a more consultative approach to developing recommendations that will increase their value.

Though the review found that ICAI should continue in its current form, it recommended changes to its delivery model to improve both its efficiency and effectiveness, including making its Chief Commissioner full-time. The review also assessed ICAI's governance arrangements and found them to be largely in-line with best practice for public bodies.

I am grateful to all those who contributed to the review, which will be placed in the libraries of both Houses and is available online at:

<https://www.gov.uk/government/publications/tailored-review-of-the-independentcommission-for-aid-impact-icai>

Hansard: 7 December 2017, HCWS325

Annex D: DFID Service Provision to ICAI

DFID will provide services to ICAI as set out below. The precise terms of each service may be agreed and set out between DFID and ICAI outside of this framework agreement.

DFID provides ICAI with:

- IT infrastructure
- Access to DFID information systems
- Human resources services
- Procurement services
- Finance services
- Counter-fraud services
- Information rights advice
- Guidance and/or technical advice on how to obtain independent legal advice
- Estates services

ICAI will follow DFID policy and procedures for the use of such services other than where agreed by DFID.

Annex E: List of Government-wide Corporate Guidance Instructions

ICAI will comply with the following general guidance documents and instructions:

- This Framework Agreement;
- Relevant content of Corporate Governance in Central Government Departments: Code of Good Practice;
- Managing Public Money;
- Management of Risk: Principles and Concepts ('The Orange Book');
- Government Financial Reporting Manual (FReM);
- Relevant Dear Accounting Officer letters;
- The Parliamentary Ombudsman's Principles of Good Administration;
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by central Government departments
- Specific instructions and guidance issued by DFID;
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, including the International Development Committee, that have been accepted by the Government and which are relevant to ICAI.