

# **ICAI follow-up: Achieving value for money through procurement: DFID's approach to value for money through tendering and contract management**

A summary  
**July 2020**

**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.

### Individual review scores and what they mean



**An adequate score means:**

- Enough progress has been made in the right areas and in a sufficiently timely manner in order to address the core concerns underpinning ICAI's recommendations.



**An inadequate score results from one or more of the following three factors:**

- Too little has been done to address ICAI's recommendations in core areas of concern (the response is inadequate in scope).
- Actions have been taken, but they do not cover the main concerns we had when we made the recommendations (the response is insufficiently relevant).
- Actions may be relevant, but implementation has been too slow and we are not able to judge their effectiveness (the response is insufficiently implemented).



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# Executive summary

ICAI's follow-up review is an important element in the scrutiny process for UK aid. It provides parliament and the public with an account of how well the government has responded to ICAI's recommendations to improve spending. It is also an opportunity for ICAI to identify issues and challenges facing the UK aid programme now and in the future, which in turn helps to inform subsequent reviews. This year, for the first time, we introduced a scoring element to the follow-up exercises. For each of the reviews we follow up, we provide a score of adequate or inadequate, illustrated by a tick or a cross.

This document is a summary focused only on the results of the follow-up of our review on achieving value for money through procurement: the Department for International Development's (DFID) approach to value for money through tendering and contract management. The full follow-up report of all our 2018-19 reviews, including overall conclusions from the process and details of our methodology and scoring, can be found on our website.

## Findings

### Achieving value for money through procurement: DFID's approach to value for money through tendering and contract management ("Procurement 2")

There has been a good response to the first two recommendations, on improving consultations and management information. But these will have little impact on overall performance without progress on the third recommendation. Without a formal contract management regime and appropriate levels of staff training, we find the response to this review's recommendations inadequate.



The second of ICAI's performance reviews of DFID's approach to achieving value for money through procurement focused on tendering and contract management. The review was published in September 2018 and gave the department a green-amber score. It concluded that DFID had an appropriate overall approach to procurement with good performance in most areas of tendering. However, it found significant weaknesses in DFID's contract management and offered three recommendations to improve the department's practices in this area.

Table 1: ICAI's recommendations and the government response

Subject of recommendation	Government response
Before the next major revision of its supplier code and contracting terms, or future changes that may materially affect suppliers, DFID should conduct an effective consultation process with its supplier market, to ensure informed decisions and minimise the risks of unintended consequences.	Accepted
DFID should accelerate its timetable for acquiring a suitable management information system for procurement, to ensure that its commercial decisions are informed by data.	Accepted
DFID should instigate a formal contract management regime, underpinned by appropriate training and guidance and supported by a senior official responsible for contract management across the department. The new regime should include appropriate adaptive contract management techniques, to ensure that supplier accountability is balanced with the need for innovation and adaptive management in pursuit of development results.	Accepted

### **Recommendation 1: Before making changes affecting suppliers, conduct an effective consultation process with the supplier market, to ensure informed decisions and minimise the risks of unintended consequences**

The 2018 ICAI review noted that the last Supplier Review included little consultation with supply partners, leading to a loss of feedback and market intelligence and a greater risk of unintended consequences arising from reforms. ICAI recommended that greater communication would help rebuild the relationship with its suppliers. DFID accepted the recommendation and has undertaken a range of appropriate actions. A series of supplier feedback sessions and engagement with supply partners has resulted in the revision of DFID's standard contract terms and conditions as well as the commercial cost template. The Strategic Relationship Management (SRM) programme provides a robust platform for strategic discussion and performance management at portfolio level with DFID's strategic suppliers. Open for Business events across the UK have helped local businesses understand DFID's processes and encouraged them to compete for DFID business.

These actions have enabled DFID to listen to all sectors within the market, not only the large players. By engaging with small and medium enterprise (SME) suppliers without the larger suppliers present, it is enhancing its understanding of challenges specific to smaller suppliers.

We saw evidence that the change in contract terms and the supplier engagements have already had positive effects:

- In 2018-19, DFID increased its overseas bidders from 13% to 20%.
- Total bids per OJEU<sup>1</sup> contract are up to 3.91, close to the target of 4.
- A total increase in bidders in 2018-19 by 39% from the previous year.

### **Recommendation 2: Accelerate the timetable for acquiring a suitable management information system for procurement, to ensure that commercial decisions are informed by data**

The Procurement 2 review found that DFID was slow to source and implement a new management information system, hampering its ability to generate the data needed to improve its procurement and contract management. DFID accepted the recommendation to accelerate this process.

DFID now has a new information management tool: a business intelligence suite, using best practice software, enables effective information gathering through a series of dashboards available to all DFID users. These dashboards cover all available information on bill payments, governance, expenditure, company checks etc in a user-friendly manner. The dashboards track key performance indicators (KPIs), metrics, and other key data points relevant to the business, and present complex data sets through at-a-glance visualisations of current performance. This is a major step forward in DFID's ability to make informed decisions and track performance.

While this is a strong response to ICAI's recommendation, it is hampered by the lack of data on grant funding. Grants are currently outside the remit of the management information system, thus diluting what would otherwise present a rich information picture.

### **Recommendation 3: Instigate a formal contract management regime, with appropriate levels of training and senior management support**

The review found significant weaknesses in DFID's contract management capability, noting that DFID was overly reliant on formal contract amendments to adjust programme activities and outputs and that there was a lack of appropriate senior-level support, training and guidance for staff on contract management. DFID accepted ICAI's recommendation. It has begun to create new policies and procedures for contract management, but has failed to implement these, partly due to a lack of support from the top management within the department, resulting in insufficient budgetary resources.

So far, only 260 DFID staff have been registered for the Cabinet Office's Contract Management Capability Programme (CMCP) foundation level online training. Forty-two staff have undertaken the assessment and have been accredited. DFID recognises that this is far from enough. The department had not yet achieved

<sup>1</sup> OJEU is the Official Journal of the European Union in which by law all contracts over a particular threshold must be advertised.

the threshold for a 'good' rating on a June 2019 contract management competency metric due to its lack of progress in CMCP training and accreditation for DFID programme managers.

The most senior qualified commercial officer in the department still only sits at the third tier of management, and we did not see evidence that those at the second or first tier understand the risks of poor contract management. None of the senior responsible officers (SROs) who have received CMCP training have attended higher-level (practitioner or expert-level) training in contract management capability.

This lack of an effective contract management regime and proper training has demonstrable negative effects on programming, as evidenced in our original review.

## Conclusion

Two of ICAI's recommendations have been addressed in a timely manner. Regular reviews with consultation on terms and conditions, as well as appropriate management information tools, regimes and techniques, are being applied and embedded within DFID. Actions taken on terms and conditions, and in particular on management information, will greatly assist in making DFID, and the future Foreign, Commonwealth and Development Office, a more informed buyer.

However, positive action in response to these two recommendations will not have a significant impact on overall performance without a formal contract management regime. Without this foundation, poor contract management will continue to pose risks to programming results. We therefore consider the overall response to the recommendations as inadequate and will return to the issue of contract management again in next year's follow-up exercise.



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