



Department
for International
Development



Annexes to the Tailored Review of the Independent Commission for Aid Impact (ICAI)

December 2017

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Annex A – Terms of Reference

1. Background

The Independent Commission for Aid Impact (ICAI) was established in May 2011 as an Advisory Non Departmental Public Body (NDPB), sponsored by DFID. Its second phase commenced in July 2015 and will end on 30th June 2019. ICAI's current budget is around £13.5 million over four years.

ICAI's functions are to: carry out a small number of independent in-depth thematic reviews addressing strategic development issues faced by the UK Government's development programmes; produce high quality and professionally credible reports providing evidence and analysis of the impact and value for money of the Government's development programmes; support Parliament in its role of holding the UK Government to account; and make information on the UK Government's development programme available to the public, based on its analyses.

ICAI's work supports the Secretary of State's statutory obligation under Section 5 of the International Development (Official Development Assistance Target) Act 2015 to make arrangements for the independent evaluation of the extent to which UK ODA represents value for money. Its role is not limited to DFID, but encompasses all UK government ODA spending. The devolved administrations are not within its remit.

The Cabinet Office has approved DFID plans to conduct a mandatory review of ICAI in 2017, in accordance with the Cabinet Office Public Bodies Reform Agenda and the [DFID-ICAI Framework Agreement](#) (Section 1.1.6.).

2. Objective

In line with [Cabinet Office guidance](#), the aim of this review is to provide a robust challenge to and assurance on the continuing need for ICAI – both in function and form. Where it is agreed that the organisation should still be retained, it will review:

- ICAI's **capacity for delivering more effectively and efficiently**, including identifying the potential for efficiency savings. The review will include an assessment of the performance of ICAI or assurance that processes are in place for making such assessments.
- The **control and governance arrangements** in place to ensure that ICAI and DFID are complying with recognised principles of good corporate governance.

3. Previous Review

The [2013 triennial review of ICAI](#), which took over a year to complete, concluded that the functions performed by ICAI are still required, subject to some refinements to promote clarity and maximise value for money.

This Tailored Review will build on the evidence and findings of the 2013 Triennial Review.

4. Scope of Review

The review will be proportionate to ICAI's size and nature. The Cabinet Office accordingly intends to adopt a light touch approach to overseeing delivery of the review. The review will examine ICAI's current functions which are:

- To carry out a small number of independent in-depth thematic reviews addressing strategic development issues faced by the UK Government's development programmes, combined with additional short reviews (where needed) to address specific issues of interest/concern to key stakeholders.
- To produce high quality and professionally credible reports which are independent of the UK Government and provide evidence and analysis of the impact and value for money of the Government's development programmes.
- To support Parliament in its role of holding the UK Government to account.
- To make information on the UK Government's development programme available to the public based on its analyses.

The review will address:

- How each of these functions contributes to ICAI, DFID and HMG core business and whether they are still needed.
- If so, how each of these functions should best be delivered, including an analysis of the current model.
- Ensuring that ICAI is operating in line with Cabinet Office guidance on corporate governance.

4.1 Efficiency

The review will consider whether, how and where efficiencies can be made within ICAI. It will examine ICAI's current operational structure, corporate functions and unit/transactional costs. Proposals to deliver efficiency savings should be set out clearly in the final report.

As part of this work the review will consider the potential to relocate the ICAI out of London and the South East in keeping with the aims of the Industrial Strategy Green Paper.

4.2 Effectiveness

The review will look at the effectiveness of ICAI principally:

- The suitability of ICAI's priorities in relation to DFID's Single Departmental Plan, government commitments, and the UK Aid Strategy.

- The impact ICAI has had on the delivery of UK aid.
- The effectiveness of its current strategy.
- The effectiveness of ICAI's use of resources to deliver against its objectives.

The Cabinet Office ALB Efficiency Toolkit and Annex B of the Tailored Review Guidance will be used to assist with benchmarking efficiency and effectiveness.

4.3 The Robustness and Transparency of ICAI's Governance

The effectiveness of ICAI's board of commissioners will be considered in the review including:

- The role of the board in setting and monitoring the strategy of ICAI and how this is assessed.
- Whether governance controls in place follow "good practice"¹.
- The relationship between ICAI and DFID (and other ODA spending government departments).

5. Departmental Governance Arrangements

- DFID will resource the review, write and publish the final report.
- The Minister for the Cabinet Office will clear the Terms of Reference.
- The Secretary of State will sign off the Terms of Reference and the final report before publication.
- A Challenge Panel has been formed by a Non-Executive Director and a Director General to provide oversight and challenge for the review. An external member from the National Audit Office has also been invited to provide additional independence to the panel. The Panel, chaired by Non-Executive Director, will support the review team at four stages:
 - Terms of Reference
 - Methodology and consultation prior to review launch
 - Emerging findings
 - Final draft report

6. Review Team

- The Review Team will consist of two DFID staff members working full-time for around 4 months.
- The Review Team is responsible for launching the review, consulting stakeholders, gathering evidence, analysing results, writing the report and disseminating its results. The Review Team must maintain strong relations with the review oversight group whom they consult throughout the process. The Review Team will comprise of DFID officials from outside the Sponsor Team.

¹ Including the principles set out in Annex C of the Cabinet Office Tailored Review Guidance
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- Members of the Review Team should demonstrate relevant core skills and will need to consult specialist expertise as required, including HR specialists, economists and evaluation experts.
- The Review Team will report directly to the Challenge Panel who will help provide leadership and independent oversight.
- The Review Team will invite a member of Institute for Government to assist in peer reviewing methodology, and draft outputs.

7. Other Parties/Stakeholders Consultation with Parliament and Other Stakeholders

- The Review Team will fully consult the International Development Committee and ICAI who will be asked to nominate relevant stakeholders for consultation
- A targeted consultation exercise will be conducted with relevant stakeholders. This will invite interested parties to contribute input and evidence in response to key questions.
- The results of the consultation will be subject to independent challenge.
- DFID will announce the publication of the review by Written Ministerial Statement in both Houses. Parliament will also be informed about the conclusion of the review and copies of the final report be placed in the Libraries of the House. In particular, DFID will alert the International Development Select Committee (IDC) and other key stakeholders and partners about the review.
- ICAI will be engaged throughout the review. ICAI will have the opportunity to comment and input from the planning stage onwards, including on the emerging conclusions and recommendations of the review.

8. Deliverables

The review will be launched and the outcome announced by Written Ministerial Statement. The results of the review will be presented in a report with recommendations accompanied by an implementation plan agreed by DFID and ICAI. Copies of the report will be placed in the Libraries of the House and shared with key stakeholders including the IDC.

Annex B – Challenge Panel & Review Team

Role: To challenge the scope, assumptions, methodology and emerging conclusions of the review to ensure that the final report was based on solid evidence and fair evaluation.

Members of the Challenge Panel were appointed in a personal capacity and did not represent any interest group or particular body.

Challenge Panel

Chair:

Sally Jones-Evans DFID Non-Executive Director

Members:

Lindy Cameron DFID Director-General

Jeremy Lonsdale NAO Director

Daniel Thornton Institute for Government Programme Director

DFID Review Team

Shailaja Annamraju DFID – *Team Lead/Lead Reviewer*

Tom Pye DFID - *Project Support*

The Review Team was supported by Daniel Thornton (Programme Director at the Institute for Government), and by legal, economic and commercial advisors at DFID.

Annex C – List of Stakeholders Consulted

Individual/Group Interviews

The following 52 stakeholders were engaged as part of individual/group interviews:

Organisation		Stakeholders Consulted
ICAI	Commissioners	3
	Ex-Commissioner	1
	Secretariat	4
	Service Provider	7
IDC	Members	3
	Committee Clerks	2
	Special Advisors	2
DFID	Senior Management	4
	ICAI Link Team	2
	ICAI Review Team Staff	6
	Other DFID	1
Other Government Departments	FCO	2
	BEIS	2
	Cabinet Office	1
	MoD	1
	Home Office	2
	DoH	1
	HMT	1
NGO's	Oxfam	1
	UK Aid Network	1
	ActionAid	1
	WaterAid	1
Other	NAO	1
	British Expertise	1
Total		51

Written Evidence

A further 6 stakeholders, all DFID staff who had worked on ICAI reviews, submitted written evidence to the Tailored Review.

A small number of the stakeholders who were engaged in interviews also submitted written evidence.

NGO/CSO Workshop

A workshop for NGO's and CSO's was organised by BOND as part of the Tailored Review. This was attended by a further 8 stakeholders, each representing a different NGO/CSO.

Summary

In total the Tailored Review of ICAI considered evidence submitted either verbally and/or in writing from 64 stakeholders.

Annex D – Triennial Review of ICAI Recommendations and Implementation

Triennial Review of ICAI Stage ii recommendations:

No.	Recommendation	Status (C = completed, PC = partially completed, NC = not completed)	Action taken
1	The MoU should be amended to say the SoS will meet the Chief Commissioner at least annually.	C	Text inserted into DFID-ICAI Framework Agreement (FA) (4.1)
2	The Framework Agreement between DFID and ICAI should be amended so current practice on publishing the annual report and approval of the terms and conditions of the Chief Commissioner by the SoS are formalised.	C	FA: 5.1 (Annual Report) & 3.53 (Chief Commissioner T&Cs)
3	ICAI's Framework Agreement and Memorandum of Understanding should be updated following this Review – and then reviewed, and if necessary updated, alongside future annual assessments of ICAI's work. The FA should make clear the functions of ICAI and clarify the role of the sponsor team and the IDC.	C	Most recently updated September 2015. FA 2.1 (ICAI role and functions), FA 3.4 (Sponsor Team) & FA 3.2 (IDC)
4	The role of the DFID sponsor team on operational issues needs to be more clearly defined in the Framework Agreement.	C	FA 3.4
5	The Framework Agreement should require annual evaluations of the performance of individual Commissioners.	C	FA 3.6.1 (also 3.5.4)
6	The annual evaluation of the Chief Commissioner should be led by a non-executive member of the DFID Board, and involve substantial input from the Chair of the IDC, alongside other stakeholders. It should include an assessment of whether ICAI is operating in line with its revised functions.	C	FA 3.3.2
7	The FA should say that the Chief Commissioner will sit on the appointment panel for other Commissioners (although not future Chief Commissioners).	C	FA 3.5.4
8	The responsibilities set out in the honorarium agreement and FA should be aligned and include those set out in the CO guidance, together with the new number of days. As	PC	Allocation of days set out in Honorarium Agreement. FA 3.5.4 (Chief

	part of this, the Chief Commissioner's role on induction and training should be formalised in the honorarium agreement.		Commissioner induction role). Induction role not formalised in the Honorarium Agreement.
9	DFID should ensure the ICAI Board has the right balance of development expertise.	C	*(see main report)
10	The Framework Agreement should be updated to reflect the legal position of ICAI in relation to the Freedom of Information Act 2000.	C	FA 5.5.6
11	Agendas for board meetings should be published in advance and this provision should be included in the Framework Agreement.	C	FA 5.2 (no recent agendas published, although minutes are).
12	The Code of Conduct for Commissioners should be included in the Commissioners' honorarium agreements, and should use gender neutral language.	C	Conduct and Nolan Principles included in Honorarium Agreement.
13	The Register of Interests for Commissioners and rules on claiming expenses should be made publicly available.	PC	The Register is published on the ICAI website. The expenses rules have not been.
14	DFID should decide what limitations regarding future appointments or employment should be in place for current Commissioners (if any). Honoraria agreements should then be amended to reflect agreed policy.	NC	
15	The IDC should be given a formal role in signing off ICAI's annual work plan and any significant changes to the work plan. This change should then be reviewed at the time of the next Triennial Review.	C	FA 4.1.1
16	IDC members should be invited to be represented on the selection panel for future Commissioners.	C	FA 3.6.1

Annex E – List of Conclusions and Recommendations

Conclusions

1. The existence of ICAI as an independent scrutiny body is clearly a valuable component of the UK aid scrutiny landscape and supports the Secretary of State's statutory obligation under Section 5 of the International Development Act 2015.
2. ICAI delivers all of its current functions. It has effectively supported Parliament and actively made its work available to the public and the wider aid community. ICAI's reviews are valued for being independent and thematic, however have varied in terms of their credibility among government stakeholders.
3. ICAI's remit is clear and well understood by its stakeholders. ICAI distinguishes itself from other scrutiny bodies by focusing on assessing aid impact.
4. ICAI's functions are appropriate and necessary, but could be simplified to ensure clarity.
5. ICAI should continue to exist as a Non Departmental Public Body (NDPB) with advisory functions as it fully satisfies Cabinet Office requirements for doing so.
6. ICAI's work has contributed to improving the impact and value for money of UK ODA. By evaluating how its work has done this, ICAI can increase its contribution further.
7. ICAI's strongest reviews are characterised by clear leadership from the Commissioner and a review-team lead with both relevant development expertise and a strong understanding of the government department under scrutiny, which helps focus the review's design and ensures useful recommendations.
8. ICAI's review process is considered time and resource-intensive by government stakeholders in comparison to other scrutiny processes.
9. Given the complexity and strategic nature of ICAI's reviews and the recommendations made by them, the current three week deadline for a government response, as stipulated in ICAI's Framework Agreement, is insufficient for a fully considered response.
10. ICAI's own measures of performance are under-reporting the full value of its work.
11. ICAI's current operating model lacks appropriate balance in cost and work-sharing between Commissioners, Secretariat and Service Provider(s),

resulting in high coordination and transaction costs. Resolving this would also increase ICAI's efficiency and effectiveness.

12. The benefits of ICAI being in London outweigh the small cashable savings that could be derived from a move out of London.

13. ICAI maintains good corporate governance processes. Diverse expectations around the principles of independence, personal conduct and lines of accountability, have posed some challenges to their implementation.

14. ICAI's transition between funding phases led to a 10-month gap in publishing scrutiny reports in the first year of its current phase.

15. ICAI's mandate to scrutinise aid spent across all government departments is generally well-understood, and it has thus far responded appropriately to changes in the UK aid and aid scrutiny landscape and has been proportionate in its scrutiny of other government departments besides DFID.

Recommendations

1. The following clarified function for ICAI is proposed:

'ICAI's remit 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. ICAI should establish a theory of change for its work, defining and analysing how it contributes to improving the impact and value for money of UK aid. This should inform ICAI's metrics for measuring its own performance.

3. Based on ICAI's independent findings, its recommendations process should be more consultative with the department(s) under scrutiny, ensuring that recommendations are smart, useful and visible, and facilitating potential efficiency gains through reduced transaction costs. ICAI should continue to pilot this approach in phase 2 reviews. ICAI could re-evaluate its process for overall scoring of reviews and consider replacing RAG scores with a Chief Commissioners statement.

4. Departments should aim to produce a government response to an ICAI review within six weeks of its publication, to enable them to give proper consideration to ICAI's complex reviews.

5. Following the completion of Recommendation 2, ICAI should develop fewer but more meaningful measures of its own performance which

incentivise it to maximise the effectiveness of its remit and functions. ICAI should consider soliciting government stakeholder feedback alongside Parliamentary feedback as part of this process, and report annually on the results.

6. ICAI's operating model in Phase 3 should be improved by:
 - Making the Chief Commissioner's role full-time and reducing the Board of Commissioners from 4 to 3 members;
 - Measuring, tracking and reporting annually on the full and average cost of its reviews, thereby developing benchmarks to facilitate a reduction in costs over time. This reduction should include finding a saving of at least 5% of administrative costs in the current phase and under the current operating model (see paragraph 5.5).
7. ICAI's operating model could be further enhanced by bringing more review functions in-house. This would need to be agreed between ICAI and DFID, following the outcome of ICAI's current drive to reduce process and cost inefficiencies and a function and staff capability review for the whole of ICAI.
8. To enhance ICAI's governance and increase its effectiveness:
 - ICAI Commissioners should serve only a single term, with only the possibility of short term extension to facilitate effective transition. The recruitment process for the next Phase should start by end-2018.
 - ICAI's Chief Commissioner should have the authority to have the casting vote on board decisions, and future recruitment of key positions within ICAI should clearly establish lines of accountability to the Chief Commissioner.
 - ICAI Commissioners should complete an annual return on personal codes of conduct, as per Cabinet Office best practise guidance.
9. DFID and ICAI should work collaboratively and should consult with the IDC on the following transition arrangements:
 - Recruiting a new Chief Commissioner and Commissioners with strong, reputed development expertise in sufficient time to ensure a minimum gap in reporting and an effective handover of work-plan between incoming and outgoing Commissioners;
 - Ensuring smooth transition of the service provider contract between this phase and the next, including through extension of the current service provider's contract for a limited transitional period if required, and ensuring that a new service provider is in place by January 2019;
 - Agreeing a sequenced transition plan once Recommendations 2, 6, and 7 are implemented.
10. The priority-setting process which informs ICAI's annual work-plan could be strengthened by establishing greater communication with major ODA spending departments. ICAI could also present its annual work-plan to the 0.7% Senior Officials Groups, following its agreement with the IDC.

11. ICAI's Framework Agreement should be reviewed annually and agreed between DFID and ICAI and shared with all ODA providing departments.