

International Development Committee

Oral evidence: ICAI's Annual Report and follow-up review 2016-17, and the Government's Tailored Review of ICAI, HC 664

Wednesday 13 December 2017

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Members present: Stephen Twigg (Chair); Richard Burden; James Duddridge; Mrs Pauline Latham; Lloyd Russell-Moyle; Paul Scully; Henry Smith.

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Witnesses

I: Dr Alison Evans, Chief Commissioner, ICAI; Andrea Baron, Head of Secretariat, ICAI.

II: Nick Dyer, Permanent Secretary, Department for International Development; Joy Hutcheon, Director General for Finance and Corporate Performance, Department for International Development.

Examination of witnesses

Witnesses: Dr Alison Evans and Andrea Baron.

Chair: Good afternoon. Welcome everyone. This session is to look at ICAI's annual report, but also, because the Tailored Review of ICAI was published last week, we are going to be addressing that. If I can welcome the two of you, please when you first answer introduce yourselves. We will go straight into the questions. We are going to start with the Tailored Review, and Lloyd is going to kick off.

Q1 **Lloyd Russell-Moyle:** Good afternoon. The Tailored Review concluded that ICAI's functions should be to produce a small number of well prioritised reports. How many reviews a year should this equate to?

Dr Evans: Thank you for the question. My name is Alison Evans and I am the Chief Commissioner of ICAI. The crucial point here is that for all of us involved in ICAI, and for the three commissioners in particular, producing an effective and impactful portfolio of reviews is our number one priority. It is also crucial for us to try to find a way to cut through some of the noise around UK aid and UK aid spending, to ensure that the reviews that we do produce are well targeted, well prioritised and relevant to the decisions that are being currently taken across Government around UK aid spending.

For me the question of reviews is not so much about how many, but whether we are doing the right things and whether we are also using the full range of review types that we have available to us to provide a really good mix of analyses and to cover a good breadth of UK aid spending in any one year.

It seems to me that over time there have been a number of references to the need for ICAI to concentrate and focus on a small number. In the previous triennial review of ICAI there was a reference again to the number of reviews. This partly comes from probably a standpoint on the governance side of feeling that being ICAI-ed is quite an intense process, and therefore generally we would quite like perhaps a little less of it. What we have tried to do is make sure that we have targeted areas where we genuinely feel there is added value from our scrutiny, and we feel it is really important that there are critical lessons that need to be learnt.

I would not want to be drawn on the number. We are probably in the right domain now, but I am keen for us to get the right mix of reviews. I would not suggest, and I would not want it to be a decision of our commission in this phase, to radically reduce the number of reviews. I would like to change the mix perhaps over time.



Q2 Lloyd Russell-Moyle: Is the mix right at the moment, then?

Dr Evans: It has been interesting, because we have undertaken, as you know, a number of shorter and more rapid reviews of late and we have had incredibly good feedback from those. We feel that we have been able to land some really quite important messages and recommendations at critical junctures in the development of Government programmes, particularly the two reviews. In fact, we discussed it last week in the ICAI sub-committee on the Prosperity Fund and GTRF, but also migration.

I do genuinely feel that there is an opportunity there for us to do some things more quickly that allow us, in real time, to have things to say about the direction of travel in UK aid spending. The time is better than us spending nine months doing a very long, incredibly detailed review, which is very valuable but can sometimes—just sometimes—miss the point of readiness on the part of the department in terms of receiving our messages. I would like to see over time, and I would like to recommend possibly to the incoming commissioners for phase three, that they think more about the combination of these full-length, and some of the shorter, reviews.

Q3 Lloyd Russell-Moyle: The summary says that the current model is hampered, leading to high internal transaction costs, and that negotiated decision-making between component parts bogs down the process. Would fewer reviews avoid that? Would it avoid spreading yourselves too thinly with too big a burden or not?

Dr Evans: I am not sure we are spread thinly. We are currently operating at probably peak production of reviews, if you like, but I would not say we are spread too thinly. On this point about transaction costs and so forth, in terms of the departments that we are working with, it is now not exclusively DFID; it does go beyond DFID, so our reviews are increasingly spending the time with other departments that engage with us, not only DFID. The number of structured points of engagement we have with departments is written into the process for us producing our reviews, and we always have a mind to making sure we are as efficient as possible in engaging with departments, both in generating the evidence that we need and in fact-checking and sense-making around our reviews. It is not the case that there are fewer of those points in a shorter review. We just do them on a collapsed timetable.

Lloyd Russell-Moyle: It does not necessarily help.

Dr Evans: It will not necessarily.

Q4 James Duddridge: Can I turn to the traffic-lights system? It has been criticised as being overly blunt. I think that they are great because they are overly blunt and force the situation. As a customer to ICAI, I find them incredibly useful. I would not want to see them go, personally, although I know there are different views on the Committee. There is a proposal to replace them with a chairman's statement, which to me



seems watered down and unfocused. I would encourage you to be more overly blunt, not less overly blunt, and very transparent in traffic lights. What is your view? Is there a happy medium between these positions from me as your customer and DFID regarding who we are looking at as the focus of our inquiry?

Dr Evans: You are absolutely right that there is a diversity of opinion on this issue, not only around this table but also out there in the wider stakeholder community. If you read the literature on scrutiny more generally, there are very different views about whether scoring per se is an aid to communication or not.

At the beginning of this phase two commission, the board of commissioners took a view that we would continue to score and we would continue to use the traffic-lights system with slight modifications to some of the language, which we thought would allow us to take on some of these more thematic reviews that we are now engaged in. We took that decision. We have appraised it more than once during the period we have been in tenure and that decision persists, despite the fact that from some stakeholders we have had fairly strong views expressed to us that this is not helpful.

Q5 **James Duddridge:** Which of those beyond DFID?

Dr Evans: Yes, including beyond DFID. Some who feel that it slightly misdirects the focus.

Q6 **James Duddridge:** I do not want you to name the people, but can you say whether there is a characteristic behind them—whether they are academics, big NGOs, large NGOs?

Dr Evans: They cut across, actually. Our response on this one—and we have discussed it several times—is that, with some of the slight modifications we have made to the language and the fact we have reserved the right, particularly in our rapid reviews, not to score because we have not felt it appropriate, we want to continue to score for the remainder of this commission. It is therefore our judgment that we do not want to take on this recommendation in its current form and we would like it to be a recommendation that is considered by the incoming commissioners for phase three.

We would not want to do anything that would bind the hands of a future commission, who may have a very different view to us on the issue of the scoring. We have looked at it. We have taken a decision. We have been working hard at it. Yes, at times it does feel quite difficult to get the scoring completely in alignment with what is a fairly balanced judgment at times and a complex picture, but we have decided that we will stick with it.

Q7 **James Duddridge:** You are not saying your successors should review it. Simply you are rejecting the idea based on your experience to date. You are not giving an indication that someone should look at it again as they



are incoming. The presumption should be that everything is looked at.

Dr Evans: It is in the gift of an incoming Chief Commissioner and their board to look at this question. We looked at it at the beginning of phase two. I would expect it to be in the gift of an incoming commissioner to again consult and to take advice and decide whether it is—

Q8 **James Duddridge:** Can I just push you a little further? Would you expect an incoming commissioner to remove the system, or would your expectation, all things remaining equal, without wanting to bind them, be that they would stick with the system that you have modified and improved?

Dr Evans: I simply cannot prejudge that. We took soundings at the time when we began our tenure and we did have a full range, but in the end we decided that the balance was towards retaining scoring for the very reasons that you set out. If the balance shifts, maybe—

James Duddridge: I would be mortified if it was changed. I would consider it a wholly inappropriate attack on ICAI's independence and clarity.

Dr Evans: It may be that my successor feels exactly the same, but I cannot judge.

Q9 **Chair:** Alison, you will be aware that in the predecessor Committee and sub-committee, both Fiona Bruce and I were among those that had concerns about the traffic-lights system. What is interesting is that we are talking about the traffic-lights scoring system. I am not against scoring—the concerns that we often raised in the previous Parliament were not against scoring they were about the bluntness of the traffic-lights system that effectively often ended up as something being seen either as better than it is, or not as good. In a way, going back to James's original question, is there a third way? Is there a middle way between traffic lights, which I agree are too blunt, and a simple statement, which might not get into really giving proper accountability? Is there another way?

James Duddridge: A roundabout maybe.

Dr Evans: In my experience there are a number of ways to skin this particular cat. We have made a modification in the current way we deliver the score, which is that we accompany it with a short narrative, which sets out the judgments in full. We felt that was a way of getting around partly this problem of there being multiple judgments in here, and a green-amber or a red-amber skates over the fact that there are multiple judgments at multiple levels. We have a statement. It is in there. We use it already and we do feel that that is a useful position. You could go down the line of going for a numerical score.

Chair: I prefer that. I prefer that, because it is much more sophisticated. It reminds me of Ofsted. You will get a school that



requires improvement and two different schools can be completely different in how well they are performing and they are both “requires improvement”. Most people just look at the headline; they do not look at the detail. Personally I would encourage ICAI to consider some sort of numerical score that is much more sophisticated and textured.

- Q10 **Lloyd Russell-Moyle:** I deviate slightly from Stephen’s view on that. The Tailored Review says that you should be simplified and have greater clarity, and then it says you should remove one of the most simplistic and clear things of your reports. Would you then say maybe—as I maybe would—that the Tailored Review in that particular recommendation is contradictory and does not particularly make much sense?

Dr Evans: I would like you to pose that question to DFID after this.

Lloyd Russell-Moyle: I will do.

Dr Evans: My sense is that it is possible to, in the body of our reviews, ensure that the way we present findings, judgments and recommendations is in the most accessible and clear form possible, and we do indeed aim to do that and we work hard to do that. You can see that as being one set of expectations of our work, and then you could also argue the presence of a score or not is independent of our ability to tell a very strong evidence-based story, if you like, in our review. It is not entirely contradictory, but what there is concern about—and I do hear this from stakeholders of ICAI—is that the traffic light, if not read beyond, can immediately set up a dialogue that is not entirely in keeping with the substance of our reports, and that it can be misrepresented more readily than a piece of text.

- Q11 **James Duddridge:** I am going to come across as sounding facetious, but as a driver there is red, amber and green, and it strikes me already that the system has got a little too complex. If ICAI is saying simpler, perhaps we should go the other way and, instead of getting rid of them, simplify down to red, amber and green. Is that where we started off when Andrew Mitchell created this?

Dr Evans: No, they were dual scores. We basically kept the same traffic lights: green, green-amber, red-amber and red. We have retained that, but we slightly changed the wording around them, just to be more in keeping with how we now construct our reviews, but it is the same structure.

Quite honestly, we could probably debate until the cows come home around what happens when you have a three-point score as opposed to a five-point score, in terms of human behaviour, frankly, and the fence-sitting problem. There is a lot of discussion in all fields about how you get a score that encourages use across the full distribution of that score and tells a clear story about where your judgments are landing. It is, I am afraid, more complex than it appears on the surface, but we have worked very hard to try to make that work, and we have learnt a lot



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about how to write a score to make sure that all our findings and judgments are consistent. We have had a lot of debate with this Committee about doing that better, and we have really put a lot of effort into doing so.

- Q12 **Richard Burden:** The Tailored Review says that ICAI should be more consultative when developing recommendations. In terms of consultative with whom, the suggestion there is that you should be more consultative with the department or departments that you are scrutinising in delivering those recommendations. Do you agree with that?

Dr Evans: The independence of our judgments and recommendations is absolutely fundamental to ICAI and its identity. It is an inviolable piece of our mandate. We have to have the independence over how we draw judgments and how we make recommendations. We have it and we preserve it. However, the use value of our reviews very much depends on our key audiences understanding where those judgments have come from and where our recommendations are targeted. They have to be clear and they have to make sense to the department that we are forwarding those recommendations to. Having a discussion, which we have piloted prior to the Tailored Review, around the recommendation areas that we are focusing on without any negotiation over the recommendation itself has helped us to target those recommendations a little more effectively.

I do not accept that we should sit down and reach agreement on the wording of our recommendations. That is not something I accept we should do. We have independence over how those recommendations are pitched, how many we produce and what level of granularity they are, but they have to mean something to the department that we are reviewing. That is what we check out by discussing the recommendation areas that we are identifying in a review.

- Q13 **Richard Burden:** Can you say a little bit more about that latter point? You have been very clear that absolutely nothing must compromise your ability to make the recommendations that you feel are appropriate in light of the evidence that you have received. In your own report you mention this point about greater communication with DFID, assuming DFID is the main department that you will be looking at towards the end of the review cycle. Can you tell us a bit more about how you think that has worked and whether that can be replicated or extended in future?

Dr Evans: What we have effectively done is ensure that we engage in a process of sense-making and fact-checking around our reviews. In the end a review that has factual errors and a review that is not making sense to the department that we are reviewing is a review that often has lower use value than one that they recognise and absolutely put their hands up and say, "Yes, we understand where you are coming from". What we have done is simply include a discussion in that sense-making and fact-checking process around, "These are the three or four areas that



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we are thinking of making recommendations in and we want to at least get a sense of whether there is a receptivity to those”.

We do not, however, negotiate ultimately how we recommend. We do not accept fact-checking on recommendations and the recommendation process is entirely led and driven by the commissioners. It is more about ensuring that we have engagement and a degree of openness at these structured points in our review process, but no concessions around control and ownership of the documentations process. There are other scrutiny bodies that sit down and reach agreement with departments over the language used and the focus of recommendations, but that is not the way that ICAI was established and it is not the way we do it.

Q14 Chair: Alison, you will recall the predecessor Committee expressed very strong concern at DFID’s role in the review itself and the sense that the department was getting to mark its own homework. Do you see this review as an attempt by DFID to clip ICAI’s wings?

Dr Evans: No, I have not sensed anything through the process that would indicate a desire to clip our wings. In fact, certainly in the way in which the Tailored Review team engaged with myself and my fellow commissioners—and maybe Andrea can confirm from the secretariat side—I would say we put a lot of issues on the table and there was no question in my mind of us being guided or led or encouraged to follow any particular line of argument or train of thought.

I do not feel that there was any particular intention, but you will accept that there are a number of challenges, first, around the ICAI model, which has been there since day one. As an advisory non-departmental body we exist in this slightly awkward relationship with our host department. There is also a challenge around the Cabinet Office process itself for conducting tailored reviews. For you as a Committee those are things you need to address with DFID as to how they might be addressed in the future on a more wholesale basis, perhaps, than they were last time.

The introduction of the challenge panel gave me as Chief Commissioner a degree of comfort that there was some genuine independent challenge from the individuals involved in the process. We could see that through some of the versions of the Tailored Review and that, therefore, was a comfort, but it is not the sort of wholesale change I know this Committee at least was looking for.

Q15 Chair: Can I tempt you to comment on what we had proposed in the previous Committee about a review not led by the department?

Dr Evans: I genuinely feel this is really in DFID’s court, but it seems to me that if you have a commitment to retain ICAI as a non-departmental public body, which the Tailored Review recommends, it would make huge sense going forward for DFID to be on the front foot, to agree a set of rules of engagement with the Cabinet Office around how the review with



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ICAI is managed that vary from the standard practice, because ICAI is unique. They need to find ways of varying the standard practice. I know the challenge panel was an attempt to do that, but it would be fair to say it came in fairly late in the process.

Chair: It did. Thank you. Andrea, did you want to add anything?

Andrea Baron: I would agree that certainly from the secretariat's perspective we felt that the Tailored Review team were very open to listening to what we had and took everything that we said very seriously.

Q16 **Mrs Latham:** The Tailored Review states that the Government should aim to respond to ICAI reviews within six weeks rather than the three weeks at present. Are you happy?

Dr Evans: The reality is that we all feel this is probably the right move. Let me just explain why. We have come to this Committee on several occasions and mentioned a certain disquiet with the quality of the management response. We have also come to this Committee at various times with there having been no management response.

Just to quickly give you some stats, of the reviews that have been produced since May 2016—and we have a three-week rule currently for delivering the management response—fiduciary risk was two weeks late, tax was three weeks late, transition was 10 weeks late, marginalised goals was four weeks late, prosperity was four weeks late, and procurement one, which we are at, is already two weeks late.

There is a problem here, and we are almost all having to recognise that in the current climate, given the busyness of Government and Ministers, and given the real scale of some of our reviews, six weeks would make sense. It would not have an impact on this Committee, because if you look at the timing of ICAI sub-committee meetings we always have time to be able to get that management response period done and dusted.

However, if we do agree to move to six weeks, it has to be six weeks. At the moment we have a nice-to-have situation. I absolutely understand that there is an incredible amount of demands, particularly on Ministers, these days in Government, which means that the process has been slowed down, but if we do move to six weeks it has to be understood that six weeks is it, and that that will lead also to a quality response that really engages with the issues of the review. We have seen an improvement in that recently, but we would like to see that consistently.

Mrs Latham: It is a good move forward, really.

Dr Evans: I think this is an appropriate move. We do not disagree.

Q17 **James Duddridge:** Where is the evidence that it is Ministers that are the bottleneck? I would have seen a more compelling case for it being communications between in-country and the mothership—someone is away for two and a half weeks, long leave and so forth. In my



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experience, unless there is a real problem, Ministers tend to sign things off quite quickly.

Dr Evans: That is all absolutely right. There are events that get in the way, including the fact that country office staff might not be in post or there are bank holidays. There are all kinds of things. The reality is also that this has to be owned by Ministers. This is not the response of civil servants. This has to be owned by Ministers, so they have to sit and craft it with civil servants. Perhaps you can ask DFID exactly how that process works, but my understanding is that things are therefore worked over quite extensively and you need a certain amount of time for that, and it is not always possible to get that in Ministers' diaries. I am not saying it is the only reason. It is part of the mix.

Q18 Richard Burden: The only thing that I would perhaps put to you on this is that if we are looking at the process by which Government respond to the work you have been doing, we are not really talking about three weeks or six weeks, are we? We are talking about that plus a month to fact-check the report in the first place, so you could be talking about well over two months before the process of responses to what you are saying comes through and allows us to look at them as this Committee, or others. In phase one of ICAI, I understand there were not quite the same problems of getting Government responses in a timely fashion. Why do you think there has been a change?

Dr Evans: You will have to ask the department about why there has been a change. Just to go back to your point about fact-check, it is a point well taken, but they have two weeks to fact-check. It is only two weeks. They have a two-week fact-check period on our reviews. They do have sight of the report then, but the fact is that the department do not consider it to be a finalised report until it is published, and therefore they cannot act on it, so they do not even begin the process of departmental response until that point. Again, it is maybe a question you can ask about what, if any, is the scope for—

Q19 Chair: It does mean that if this recommendation is adopted the department would have almost two months with the report if you add together the fact-check period with the new six weeks.

Dr Evans: Absolutely. In fact, in earlier discussions around the Tailored Review there was a desire on the part of some that that should be even longer, but our feeling was absolutely not. There has to be a prescribed timeframe, but at the moment we are in the arena of slight unrealism around the turnaround time. As to what might be the difference, as reviews have got bigger and in some ways more complex, there are more people to be consulted across a wider landscape of departments, which does slow things down somewhat. Whether you are looking at all of the Prosperity Fund or you are looking at all of the work on fiduciary risk, you have a lot of people that need to be consulted to fact-check. It also slows down the departmental response, but it is a genuine question to put to the department.



Q20 Henry Smith: In your annual report you highlight a number of challenges with ICAI and its relationship with the contractor consortium, including things like consistency, quality, pace, delivery and forging a common understanding and ways of working. What steps are being taken to address these?

Dr Evans: I am going to let Andrea deal with the detail on that, but I will say as an opening remark that we do have this slightly unique model, in that we have a board of commissioners and we have a secretariat that supports us and manages the contract with this service provider. There is a three-legged stool, as I have described before. It creates its own internal transaction costs, which we are constantly trying to manage down. Andrea can attest to how much time that takes us.

In relation to our current service provider, we have benefited enormously from the very high value technical expertise that they have been able to bring to the teams. That is what they promised us at the process where they were selected for this contract and that is something that they have been able to deliver us. They bring lots of depth and lots of knowledge, which I know has also been appreciated more broadly in the community regarding the quality of some of the work that we do. Yes, it is a challenging portfolio of reviews to manage and balance, and we have had issues around timeliness, not always because of internal matters; sometimes it has been because of external considerations. We have also had problems with maintaining consistency.

Q21 Henry Smith: The Tailored Review states that ICAI's model could be enhanced by bringing more of that in-house internally. Is that something you are considering?

Dr Evans: We welcome that as a proposal. Again, I will ask Andrea to respond directly, but we think there are a number of ways in which we could achieve a greater consistency by having more of some of the functions in-house. That is certainly not how the model was conceived originally, and it would have staffing implications, which ICAI does not have control over. That is one of the oddities of our existence: ICAI does not have full control over things like HR and staffing levels and so forth—all the overall resource envelope. It does have implications, but maybe I could ask Andrea to clarify.

Andrea Baron: Sure. As Alison has mentioned, we have three pillars, so the secretariat, commissioners and the service provider. This operating model has created some challenges for us, particularly in terms of the high level of transaction costs, and this is brought out in the Tailored Review as well. They call it a principal agent problem. Their recommendation about bringing more functions in-house, as we understand, is to help make ICAI more efficient and effective. This is something, as Alison has said, that we do welcome.

In order to do this we would need to conduct a review to understand what elements we might want to bring in-house, and certainly our



understanding from DFID is that our headcount for the secretariat should remain the same for phase three. That being the case, that ties our hands, to a degree, in how much we consider we can bring in-house and what is feasible within the headcount we have. Certainly this recommendation is not fully within ICAI's control to implement.

Certainly in terms of the service provider, coming back to the first question that you asked, some of the challenges that we have faced across the Commission, including the service provider, are in part a function or a creation of the complicatedness of our model. That being said, we have been working very hard with the service provider, and they have been fully on board on this, to make improvements and certainly we have worked with them in a number of ways putting in place key performance indicators. We have worked on providing guidance and identifying areas where it would be helpful to have guidance for them and for ourselves as well, to be clear about what our respective roles are. We have put in place a partnership charter as well, setting out very clearly how the different elements of ICAI should interact together and work to get our products as effective and high quality as possible.

Dr Evans: Just to finish that point, the reality of the way we function is that, because ultimately commissioners need to take ownership and lead on these reviews, there are moments where commissioners simply have to engage and disrupt a process in order to get to a product that they want. That is not always within the gift of the service provider. It is very much based on the commissioner's experience and knowledge and what they want from a particular review. We need a service provider to be incredibly flexible and, to be fair, this service provider has certainly provided us with that.

Q22 Paul Scully: Good afternoon. ICAI recently updated its conflict of interest policy to include potential conflicts of interest when working with other Government departments. I am just wondering what prompted that particular update.

Dr Evans: I will ask Andrea to answer that.

Andrea Baron: We periodically look at all of our policies to make sure they are up to date. We also have annual internal audits that look at different elements. One of the areas that we had a look at was our COI policy, because with ICAI's remit and us going out to other government departments, we needed to make sure that our functions and the work that we were doing were consistent with the conflict of interest policy. The update that we made really just broadened the scope of the policy, so that it not only included DFID but also included other government departments that we were scrutinising. It really just broadened the scope to include other government departments.

Q23 Paul Scully: Is it coming at a time when you are expanding your work more into other government departments?



Andrea Baron: Yes. Our policy needed to be consistent with our increased scope and the reality of our work on the ground. We were going out meeting all the other government departments and we needed to make sure that our policies were keeping up to speed with our broader direction that we were taking as an organisation.

Q24 **Chair:** A year ago Francesca Del Mese resigned as a commissioner. Can you say a little bit about what the impact of losing a commissioner has been on the operational capacity and work of ICAI?

Dr Evans: At this point I would like to take the opportunity to commend my fellow commissioners, Richard and Tina, and the secretariat for basically upping their work rate very significantly to take up the slack. We have managed very well and work very well as a team as a result, but these things will create some sort of transition, but we were able to respond very quickly. With the standing capacity of the secretariat and the flexibility of the service provider, we did not see any significant impact on the review cycle.

Q25 **Chair:** The Tailored Review recommends that what has been de facto the position over the last year becomes the position that there should be three commissioners, and that the Chief Commissioner should become full-time. What do you think about that? Do you agree with that?

Dr Evans: On the issue of the number of commissioners, this is an interesting point. We certainly feel that we have been able to work very effectively as three. We started out as four. We certainly did everything we could to work effectively as four, but there has definitely been some advantage to being a slightly smaller commission. On the other hand, we all as commissioners feel that one needs to have a diversity and complementarity of skills.

For me the number is less important than feeling we have a range of skills around the commission table that really can add value to ICAI's work. That is essential. Personally, I think you can get that with three, but there are those that feel you could even go larger. The way in which we work and certainly the way we are working in this phase means a slightly tighter group of commissioners, able to give more consistency around steer as opposed to bringing their diversity of experience, which is most welcome, has been very helpful.

I was asked right at the beginning, when I came before the predecessor Committee to discuss my nomination for the role of Chief Commissioner, "Should this role be full-time? This appears like a much bigger role than certainly it has been written up as in contractual terms". At the time I felt that it was a bigger role, but I did not really know what the right answer was. Having done the role, I know that I work almost full-time and that is because it is not only about reviews; it is about relationships and it is about basically overseeing what is really quite a complex model.



The reality is it is a full-time job. To do it really well it is a full-time job, but it was clearly the decision early on to not do it that way and to do it more in keeping perhaps with some other commissions that are much more part-time. It has certainly been my experience. It makes a big difference to our ability to produce consistent product if you have a Chief Commissioner who is able to apply all of their time to this.

Q26 Chair: During the questions today the issue of your work with government departments other than DFID, including cross-government funds, has come up in a number of the questions. Can you reflect, as this is the annual report session, on the nature of those relationships, and in particular is it something that is improving or is there cause for concern?

Dr Evans: I think it is improving. We have put a lot of time and effort into building those relationships, and the familiarity and understanding of ICAI, its mandate and its remit. We started out with very much a view of ICAI being DFID's thing and, "Why are you coming this way? What have you got to do with us?" and we have got to a point where there is much broader understanding that our remit is to scrutinise ODA wherever it is spent in Government. That is now understood.

We have done events in the Foreign and Commonwealth Office and elsewhere, calling in people from other government departments to explain what our role and our mandate is. It has definitely improved, but nevertheless, for every review we come to that involves other government departments, we still need to go back to basics about what our remit is and how we work to ensure that they are fully on-board. Andrea as Head of Secretariat has also put a lot of time into this. Do you want to comment further?

Andrea Baron: Certainly my experience when we first started going out to other government departments was that there was not so much understanding, particularly of our processes and how we worked. Again, the secretariat has put a lot of time into explaining the way we work and our processes. There might be concerns around different issues, such as how we handle sensitive information, so we have explained all of this and have put a lot of time into that. Certainly, the amount of time we are putting into that now is reducing, particularly if we are going back to the same departments for a second or a third review.

Chair: Thank you very much indeed. On the Tailored Review, we intend as a Committee to pursue a number of the issues that have come up during discussion today, starting with the DFID witnesses who will follow but then also beyond today's meeting. Thank you very much indeed and please feel free to stay in the gallery if you wish to.

Examination of witnesses

Witnesses: Nick Dyer and Joy Hutcheon.

Chair: Welcome back, both of you. As is usual, we will go straight into questions, but please feel free to introduce yourselves when you first speak.

Q27 **Paul Scully:** Welcome. It is good to see you again. My question follows on from the last question. The Tailored Review recommends that the next Chief Commissioner should operate on a full-time basis, while the recent reduction in the number of commissioners from four to three should be maintained. I wonder if you could explain what your reasoning behind this is.

Nick Dyer: Good afternoon. I am Nick Dyer, currently Permanent Secretary in DFID. Maybe I should start by just saying what role we had. From my perspective, this was an independent review with its own conclusions, so I was not part of the process of deciding what was in the report. I only can look at what was in the report and give a view. In terms of the full-time nature of the Chief Commissioner and the three commissioners themselves, Alison, the Chief Commissioner, put it quite well; this is more about what the skillsets are and this is, in reality, a full-time job, which in effect we pretty much knew anyway. This is just regularising in terms of the Chief Commissioner's role what needs to be recognised, which is that this is a full-time job.

In terms of the number of commissioners, this is again a reality that the first commission and this commission have for a long time operated with three commissioners and have operated reasonably well, no doubt with stresses and strains on them in terms of their operation. On paper they have worked reasonably well with three commissioners, and we think that the move to a full-time commissioner, with the attendant responsibilities it gives that commissioner in terms of the accountabilities and responsibilities within ICAI and, as the report said, addressing this issue of conflict of interest, is a reasonable proposal.

Q28 **Mrs Latham:** Again, the Tailored Review proposes a clarified function for ICAI, under which it will conduct a small number of well-prioritised reviews. Do you think ICAI should conduct fewer reviews than they do now?

Nick Dyer: The phrase "small number" originally arose from the triennial review. In the first phase ICAI was operating a number of very talented reviews on particular issues and particular programmes, and the triennial review said that there should be a shift to a smaller number of sectoral-cross issues in more depth, so it was looking for a shift. That is where the idea came from of a smaller number. It was less than what was being done before.

My interpretation of this report is that the intent is that this is business as usual. Nothing should change. My understanding of the revision to the



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functions is that this is pretty much a tidying-up and clarification exercise, and it is to bring the functions in line with the 2015 Act, which talks about an evaluation function. It is trying to align it with the Act. I do not see necessarily a problem at all with the proposed change in functions, and the broad functions are still the same. I would not expect and the intent was not that there should be any reduction in the number of reviews at all.

Joy Hutcheon: I am Joy Hutcheon. I am the Director General for Finance and Corporate Performance. The other thing in the clarified function was just to bring in the reference to other government departments, to make clearer—as we were just discussing—that it is known to other government departments that ICAI's remit is for the whole of UK Government ODA.

Mrs Latham: You used some interesting terminology there. You said “we”, as if you are part of ICAI, but you are not—or you certainly should not be.

Nick Dyer: Let me correct myself and be more careful with my choice of words for the rest of this session. We are not part of ICAI. We are very much not part of ICAI, and I will make sure that I reflect that.

Q29 **Mrs Latham:** It is not the case that you think of it as “we”, or do you think of it as “we”?

Nick Dyer: No, I very much do not think of it as “we”. This is an independent body. I was pleased to see that the conclusion of the Tailored Review was that ICAI should exist and should retain its independence. We very much view it and perceive it and feel it as an independent body that is scrutinising us and challenging us.

Q30 **Lloyd Russell-Moyle:** On that, the predecessor Committee is quoted in the report as saying that in particular it wants more reports to adequately scrutinise UK aid. Throughout the report it sometimes seems like the IDC's view, when it has been put, is given less weight than the Government's view. Is that the case here regarding this suggestion of fewer reports, where we, the IDC, have said something completely different?

Nick Dyer: All I can do is go back to the original triennial review, in which the IDC was represented as part of the challenge panel of the original triennial review, where there was a shift in the way that ICAI operated to focus on fewer but broader and more in-depth reports.

Chair: That was the previous review.

Nick Dyer: Yes. As Alison says, this issue is as much about the right thing and the right mix in terms of what you are covering as it is about the right number, and to be comfortable that you, as the IDC, are covering the range of departments and issues that you feel are going to be sufficient over the period of the Committee.



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Q31 **Chair:** The previous review had IDC representation on the challenge panel. Why did this review not have that?

Nick Dyer: As I understand it, it was because of the election.

Q32 **Chair:** Had the election not been called there would have been IDC representation?

Nick Dyer: I cannot say for sure.

Chair: I do not recall that being an option when we were having the correspondence at the time, but it is possible that is something I have missed.

Nick Dyer: To be honest, I do not know.

Q33 **Henry Smith:** Good afternoon. As you will probably have heard from the public gallery, I was questioning representatives from ICAI about the Tailored Review, stating that they believe that bringing more internally and in-house would enhance the functions. Do you think that the current contractor has been underperforming?

Joy Hutcheon: We were interested to see this recommendation. We very much support what we understand to be the objective of it, which is ensuring that the commissioners are really able to provide the thought leadership of the reviews. Our own view is that that is something that the commissioners should be providing that we should not be looking to buy in from the service provider. We are ready to have the conversation with ICAI, which is recommended by the review, about whether it should bring more functions in-house. The things that we would see as interesting in that discussion are around the terms of reference and really being able to grip the key points of the review, in the way that the Chief Commissioner was just talking about—sometimes needing to be disruptive—to make sure that the outcome of the review is driven by the commissioners.

Nick Dyer: Can I just add to that? From my perspective, I feel slightly uncomfortable about commenting on whether the contractors are doing a good job or not because I do not see what they do on a day-to-day basis. All I see is reports that, to our mind, are well-crafted and good quality, so the output is good. I am sure there is a lot of paddling beneath the surface that goes on between the contractors and the commissioners that we do not see. I am assuming that these recommendations are to reduce the amount of paddling that is going on beneath the surface, and if that helps then I am very supportive of it. In terms of whether they do a good job or not, frankly we do not know.

Q34 **Chair:** If more is going to come back in-house, surely there is a capacity implication for ICAI. How is ICAI meant to do more in-house without at least the opportunity for an increase in the staffing support to the commissioners?



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Joy Hutcheon: We were interested to see the conclusions of the Tailored Review, which say that they should be proportionate changes to the operating model and that the exercise should not increase the costs and should, where possible, decrease the administrative costs. The Cabinet Office Tailored Review process is about ensuring efficiency among NDPBs and that they do not just keep growing.

We see from the report that the recommendation is that ICAI should first look at its own operating model and see what it is able to do within the resources it has. After the last review there was an increase of secretariat from four to 10 staff, so we would like to start to have a conversation with ICAI in terms of resources, about how it is using the resources it already has.

Q35 **Chair:** Clearly in the light of your evidence and the evidence we heard from ICAI, there is some uncertainty about how far items might be brought back in-house. Given that, how is it possible to start the procurement process for the next service provider before those decisions have been made? Surely the procurement process will be shaped by decisions made about the extent to which matters come back in-house.

Joy Hutcheon: We set up a working group with ICAI to look at implementing the recommendations of the Tailored Review, which will have the conversation that is recommended about functions and work up in detail the transition plan. The transition plan is to have the service provider in place at the beginning of January 2019, so there is time to have the discussion and resolve the question before we procure that service provider.

Q36 **Chair:** Would it make sense for the current commissioners to be shaping the first year work plan for the next commission to avoid a hiatus between commissions?

Joy Hutcheon: The review also recommends that we should recruit new commissioners in a timely way. The Secretary of State has agreed that she should recruit the new Chief Commissioner also for January 2019, so that as the new service provider comes on the new commissioner can start to task the service provider.

Q37 **James Duddridge:** I just want to understand something very fundamental. Is the response to the Tailored Review signed off by a Minister or is that independent?

Nick Dyer: The Tailored Review is signed off by the Secretary of State for DFID and then it goes to the Minister for the Cabinet Office, and the Minister for the Cabinet Office has to approve that the Tailored Review meets the standards of the review process.

Chair: This is the outcome of the Tailored Review, not the setting up. The outcome has to be signed off by the Secretary of State and has gone to the Cabinet Office for ministerial approval.



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Joy Hutcheon: The Minister for the Cabinet Office has approved the process and has written to the Committee and to the Secretary of State saying that he regards this as a robust and independent process. The Secretary of State has agreed to the recommendations of the review. They have approved slightly different things.

Q38 **James Duddridge:** The only thing that confused me is normally when the Secretary of State would do something like that there would be a foreword of some description.

Joy Hutcheon: This was an independent report to the Secretary of State, and she has accepted its recommendations; it is not her report.

Q39 **James Duddridge:** Okay. That is fine. Can I take you back? I will not rehearse the issue of the traffic lights, because you were in the gallery audience or whatever we have to call it within parliamentary procedure. Traffic lights: should they stay or should they go? Have they outlived their use?

Nick Dyer: Clearly there is strengthening on both sides of the debate on this one. Looking back at the report, the majority of the respondents suggested that they did not support traffic lights. The reality is that when I look at a report, I spend very little time on the traffic lights. I look at the body of the report. For me what is interesting is the substance of the report and the nuances within the report. We have lived with traffic lights for six years. I am sure we can continue to live with traffic lights. Ultimately, personally I think that if you got rid of traffic lights, people would focus more on the substance rather than just the overarching traffic light itself in terms of the score.

Clearly there are different sides to the debate. What the report does is leaves it up to ICAI to decide on this, so it is very clear that it is trying to lay out the issue but give ICAI the freedom to decide which way it goes.

Q40 **James Duddridge:** The current commissioner has said no change under the current management. You are not putting it on the table on day one for the new management team and new commissioner. It is just something that they will decide if they want to change along with the whole structure.

Joy Hutcheon: We are not putting it on the table at all. The review has said, given the range of views expressed, that there is a reasonable case for ICAI looking at this and that it could look at it. When the Secretary of State considered these recommendations she did not see a reason to disagree with that.

James Duddridge: It would be interesting to see what the new Secretary of State thinks.

Chair: It will be interesting to explore it with her, yes.

James Duddridge: It may be more nuanced. It may be that the



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Secretary of State was balanced in their view, as the report was balanced, and was happy to leave it at that, or maybe they had a view that because it was not one thing or the other they were happy for the report to go ahead. We do not know.

Chair: That is something we can perhaps explore with her when she comes before us in the new year.

Q41 **Richard Burden:** You will have heard the conversation that we had with ICAI a little while ago about the suggestion in the Tailored Review that ICAI should be more consultative in framing and developing its recommendations. What is your view about that? There is concern that that could sound rather like an attempt to dilute the strength of ICAI's recommendations or to suggest that they should be not only for ICAI alone.

Nick Dyer: I certainly understand the concern and I fully understand and agree with the Chief Commissioner when she says that these are ICAI's recommendations and no one should be putting any pressure on it to change the recommendations, because it is an independent body. The strength of its independence comes from its ability to say what it wants through its recommendations, so I fully agree with that. ICAI is piloting this already. The review is clear that it is up to ICAI to decide whether it wants to go down this route.

On this question around the speed of response and quality of response to the report, arguably it could be improved and strengthened if you have an earlier conversation with ICAI, so you do understand where it is coming from and what the recommendations are. We do this with the NAO. The NAO have a process where they sit down and discuss recommendations as part of the process of finalising their report, but certainly nobody would accuse the NAO of compromising their independence in doing that. They very much protect their independence at the same time. I can see it both ways. It would help in terms of the quality, the depth and the improvement in terms of the response and response time.

Q42 **Richard Burden:** Could we just be clear, though, about whether the Tailored Review is saying that it thinks that ICAI is on the right track in terms of establishing a communications system, so that there is a dialogue about the areas of the review or report within which recommendations should be made, or whether it is being said that there should be a process of dialogue on the recommendations themselves?

Joy Hutcheon: What the review did was to recommend that ICAI should continue with the process that it has been piloting, which was the process that the Chief Commissioner described and was a process that has been entirely designed by ICAI.

Richard Burden: No more than that.

Joy Hutcheon: That is our understanding of what the review is saying.



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Q43 **Lloyd Russell-Moyle:** We have touched on this a bit before, but do you think it was appropriate for DFID to lead a review on what is a major one of its watchdogs?

Nick Dyer: We touched on this when we were last in front of the Committee. All I would say to that is ICAI is formally an arm's-length body of DFID. The Secretary of State is accountable for ICAI. The Cabinet Office has a process in terms of tailored reviews for arm's-length bodies, which we are following. We fully understand, appreciate and hear the concerns of the Committee around the issue of independence, and we are trying to reconcile that by setting up the challenge group, where we did have a member from the NAO on that, one of our independent NEDs from DFID and, in the latter stages, somebody from the Institute for Government.

In the triennial review we did have a member of the IDC in that challenge committee as well, and the next time this comes round that is something that we should ask ourselves as to whether we should repeat, but it is probably premature for me to commit to that three years in advance. I see the difficulty, but the challenge process was designed to try to address that. We were encouraged by the response from the Minister for the Cabinet Office, who did conclude that this was sufficiently independent as a review.

Q44 **Lloyd Russell-Moyle:** The Minister for the Cabinet Office is still a member of the Government and is trying to defend a government position. Bearing in mind what I said earlier on—that in some areas of the report the IDC has said one thing and the report has said that views outside are mixed but has come down on the side of what seems to be the DFID view—that gives the impression that maybe it is Government-appointed and therefore dances to the tune of the Government, whatever department that is. Is there perhaps a case to take these reviews completely out of Government hands and put them into an independent committee or something that no Minister touches?

Nick Dyer: The two things we are striving for here are assurance of a degree of independence, both full independence and this Committee, and that the voice of the IDC is fully heard. There are multiple ways, potentially, that you could do that. Within the constraints and the bounds that we are operating under from the rules of the Cabinet Office, we think and we would suggest that the challenge panel or the challenge process was a way of achieving both of those aims.

Q45 **Lloyd Russell-Moyle:** You say that the views of the IDC are really important in this process. Seeing that the IDC did not have anyone on this review, and I have pointed out a number of areas where the IDC has not had recommendations, would you say that maybe this report failed in making sure that the IDC's voice was truly heard?

Nick Dyer: No, because we reached out to all members of the IDC, prior and during the election, for a consultation. We could not involve a



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member of the IDC through the challenge panel because of the election, and when we come back to this—and this will come round very quickly; in another three years we will be doing this all over again—we will want to ask ourselves about how we can incorporate that IDC voice better.

Q46 **Lloyd Russell-Moyle:** In what way exactly did you reach out to members of the IDC?

Joy Hutcheon: The team—and this was not us; this was the review team; I think it was recorded in annex B—wrote to every member of the former Committee before and after the election, offering consultation. It was able to conduct a consultation in person with three members of the Committee, including the Chair. They travelled to Liverpool.

Chair: They came to Liverpool during the general election and I had a welcome two-hour break from campaigning to talk about this.

Joy Hutcheon: There was quite an extensive attempt to have a consultation with Fiona Bruce, who was the Chair of the ICAI sub-committee, but we understand that it just could not be made to work with campaign diaries.

Q47 **Lloyd Russell-Moyle:** Three members of the Committee were able to engage out of a committee of 11.

Joy Hutcheon: That is what the team has reported to us.

Q48 **Chair:** Clearly there are a set of issues that predated the calling of an election, where the predecessor Committee and the predecessor sub-committee expressed concerns around DFID's role in leadership. My recollection—and correct me if I am wrong—is that the challenge panel was set up in response to those concerns. It was not initially part of the plan. I may be remembering that wrongly. That is my recollection.

Joy Hutcheon: One of the measures that we have put in place, which we also did, as Mr Burden may remember, at the last Tailored Review, is that as the DG in DFID who owns ICAI I have not been involved in this process. Lindy Cameron, who is a separate DG, was the member of the challenge panel, which was chaired by one of our non-executives. She was involved in that process of agreeing with the Cabinet Office what the right way to flex their normal NDPB process would be for this particular—

Q49 **Chair:** I accept that the calling of the election meant that the level of engagement with members of the predecessor Committee was less than it would have been had the election had not been called, but even if the election had not been called there were a number of concerns that we had raised about the independence of the process, to which the new Committee will want to return when we consider these matters going forward, and particularly for three years' time when the next review happens.

Can I bring us to the final question on the Tailored Review and then we will look at some broader issues around ICAI's work? This is on the



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question of the amount of time the Government have to respond to ICAI's reviews. You will know from the predecessor Committee and sub-committee that we often express concern about responses coming in late. If the change is made from three weeks to six, can you give a guarantee that DFID will respond within six weeks?

Nick Dyer: Giving a hard guarantee is something that I would probably want to sidestep.

Q50 **Chair:** Is the worry not that if it is three weeks late it will be five, and if it is six weeks it will be eight?

Nick Dyer: Listening to the number of weeks that the management responses were late by in this current round of reports, if you take the outlier of 10 weeks out, they are all then within the six weeks. You will find that as these reviews get more complicated and you are engaging other government departments or teams that work across government departments, then it is hard enough to manage a six-week process within DFID where you are controlling all the processes, submissions and timeframes. If you are then dealing with multiple Ministers and multiple departments, a six-week deadline may be missed on some occasions. I do not know.

Chair: It is your view that even six weeks may be too demanding.

Nick Dyer: To be honest, I was quite disappointed with this recommendation because I was hoping it would say eight weeks, because that is what we in the past have been seeking. If you look back in previous conversations with the Committee about this issue—

Q51 **James Duddridge:** Can you guarantee delivering in eight?

Joy Hutcheon: These are Ministers' responses, so it is difficult to give a guarantee for every part of the process. Just reflecting on the earlier conversation, it is important to just register again that during the fact-checking phase, for reasons of independence, there has always been a convention that we do not show reports to Ministers until they are final, so we do not, during that two-week period, have an opportunity to sit down with Ministers and get their steer on how they would like to shape the response.

Q52 **Chair:** At what point after that does it go to Ministers? You fact-check it. Does it literally then go to the Minister and the clock starts ticking?

Joy Hutcheon: It will depend a bit on what it says, but if there are things that we need a steer from Ministers on to start thinking about what their response is going to be, then we will show it to them immediately and have a conversation about it. We could in theory start to do that with the fact-checking report, but sometimes reports have come in for fact-checking and they have changed quite extensively because we have pointed out—

Q53 **Chair:** I am sympathetic to that, to be honest. I can see the sense of



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saying that you want to fact-check it before it goes to a Minister. That does make sense. There are two aspects to get to the bottom of. One is the one that James asked ICAI about, which is how far is it a delay with Ministers versus a delay with officials before it even gets to Ministers, and the other is the issue that both of you have highlighted, which is around other government departments and how far that is a delay. If it is a report that relates solely to work by DFID, so there is no other government department, are you saying that six weeks certainly would be fine because you have not got the issue with other government departments?

Nick Dyer: Certainly we would be much more comfortable with six weeks. As I said, if you look back at the evidence in terms of how long these responses have taken, it would appear that the bulk of them have been within six weeks—in fact all but one, from what I heard.

Q54 **Chair:** We will return to this. The very strong sense will be that if it is going to be six weeks, we will want that stuck to. We will want that stuck to and you will be aware that we had a lot of correspondence about this. Paul's predecessor, Fiona Bruce, was a lot more hard-line on this than I am, but keeping it to six weeks would be very helpful.

Nick Dyer: The one thing I would say, Chair, is that we aspire to give a thoughtful, good quality response to the Committee within the time that is required.

Chair: I do understand that. Thank you. What we are going to do now is move on to some of the broader issues raised in ICAI's annual report.

Q55 **Paul Scully:** In the follow-up review ICAI stated that DFID's central policy teams found it difficult to get country offices to follow through on cross-cutting commitments. Do you acknowledge that problem?

Nick Dyer: I would start by saying that we run a matrix organisation and where you have country offices we want to ensure that they have the space and flexibility to understand what problems they are facing and respond to them. We do not want to constrain the entire business to have to do the same thing in all the places. That would be a bad outcome: if everybody was doing exactly the same thing in all different places.

When we come up with a new issue where you are trying to drive it through a matrix organisation, I would accept that it can be a challenge. If you take, for example, our response to climate change, which we started in 2010 with the new Government, it probably took us five years to shift from a position where the bulk of the work was happening at the centre to the bulk of the work happening in the country offices and being mainstream across the organisation. It takes time for the organisation to build the knowledge, build the capabilities and have the skills for the centre to write guidance and to ensure that the professional advisers understand the issue. It takes time to drive issues through the organisation.



You also have the issue that the organisation is in any one moment quite heavily programmed, so if you want to bring in a new issue it does take time to get the headroom to be able to find the space to start focusing on that programme instead. There are a number of reasons why it does take time, but we have the levers and the tools to be able to drive things through the organisation.

Joy Hutcheon: Can I just add a couple of things to that? We do have this matrix problem. There are some really practical things that we have done about that recently. In the last business planning round, because we were worried about this, we created a coherence mechanism but got the country teams, the central policy teams and the multilateral departments together to ask how we could deliver this objective coherently across the whole department.

We also have much better management information that enables us to see how things are being driven through the country teams. For example, a couple of weeks ago the family planning team came to us and said, "We want to check in with the management board on how the family planning commitments are being delivered. Here is the MI. Do you want to reallocate any funding from country programmes to the centre?" We all looked at the MI and concluded at that point that we wanted to continue to drive this through the country teams for the remainder of this year. We thought that that was doable. The management information is giving us much better levers to go to country teams and say, "Actually, you do need to do a bit more of this".

Q56 **Paul Scully:** The example they used was mainstreaming the violence against women and girls programme. Has that been captured in these changes?

Joy Hutcheon: Our management information is getting much better on having markers for programming on things like violence against women and girls, which would enable us to interrogate it and say, "Why is this not happening and what do we need to do to make it happen?"

Nick Dyer: Violence against women and girls is a good example of a reasonably new subject where we do not really know what works and what does not work in the area. We have this big research programme—this £25 million research programme—which is trying to build the evidence and the knowledge base, and we have now introduced a marker within our MI, so we can track how much has been spent on combatting violence against women and girls. We are also trying to have a wider international agenda on it as well. That is a good example about how a new issue takes time to integrate across the organisation.

Q57 **Chair:** Let me address specifically the review on how DFID works with multilateral agencies to achieve impact. The majority of DFID's budget goes to multilaterals, but the review points out that DFID, in its view, did not nominate sufficiently senior staff to manage the relationships with multilaterals. I know you do not accept that, and in your response you



have spoken about the key relationship management approach. Can you elaborate on that, to give some assurance to us that this has been addressed?

Nick Dyer: One of the challenges of the review that we picked up at the time is probably just worth reflecting on now. We felt that the staff numbers did not quite capture all the staff that were working on multilaterals, so we do have people based in New York, Geneva and Washington, which was not captured by the numbers, as I understand. I would also say that the amount of senior time that has been spent on multilaterals has grown quite significantly over the last couple of years since this review.

In terms of the relationship management, I would say there are probably three things that have changed since this review. The first is that we have more regular strategic dialogue with the big, particularly UN, agencies. Every year we sit down with the UN agencies and we have a conversation with them about what is changing more broadly, and what the concerns are that we have, given our experiences of working at the country level. We ask our country teams to give us performance feedback and we present that back to the UN agency and we have a conversation around what is working and what is not. That is the first thing.

The second thing is that since the review we have introduced performance contracts. We now have 18 performance contracts, which lay out very clearly what our expectation is of these multilaterals and, as part of that strategic review, we would go through the progress against the performance contract.

Thirdly, we are now starting to introduce performance-based funding, where we are saying, "If you do not deliver on these commitments then we will reduce your funding". The key to all of this is to ensure that we are getting the experiences and the knowledge from our country offices relayed back to us at the centre, so we can feed into these dialogues, because that is the most powerful information that we present to these organisations to say that it is or it is not working on the ground—or it is or it is not as you are saying it should be. In the last set of strategic dialogues that have just happened, 28 of our country offices provided feedback to feed into that process.

Q58 Chair: That is really interesting. That brings me to a question I was going to ask later, but I will ask it now. In a separate ICAI review on managing fiduciary risk, it expressed concern about oversight of multilateral partners at the country level, saying that it felt this was often ad hoc. Can you tell us what you are doing to resolve this, and is what you have just described part of the way that you are seeking to resolve this?

Joy Hutcheon: That is part of it, but we are also rolling out two multilaterals along with all our other bilateral delivery partners. Delivery



chain mapping: we are looking down the delivery chain to see where risk lies and where we need to apply oversight. We have enhanced our due diligence of multilaterals. Our approach when we are doing due diligence is to have a central assurance assessment, which is carried out of the headquarters, and then to see how we need to complement that on the ground, so we are not duplicating. Our internal audit department has carried out six central assurance assessments of multilaterals during the course of this year, and that process is getting really good traction.

We are also looking at how to read across the outcome of our supplier review for private sector suppliers—how to read those principles across into our relationships with multilaterals. Some of that is not in our gift and has to be negotiated at the central level, and so that is a more difficult process because they are multilaterals. Our agenda for reforming the multilaterals has been set out really up front in the multilateral development review and we are pursuing that.

Nick Dyer: Can I just quickly add to that? It was a good challenge by ICAI. Are our country offices pursuing the objectives that we set at the centre on our relationships with multilaterals? I suspect there has been inconsistency over time in doing that. We are really aspiring to get better at that, so we are writing a guide on working together in multilateral reform. We are making more of an effort to tell our country offices what our key priorities are with these multilaterals, and we are being a lot harder-edged in terms of insisting, as programme funding goes up to Ministers on particular issues with these multilaterals, that they do reflect on, show and say how they are addressing these wider central objectives. We are getting a lot better at that.

Q59 Lloyd Russell-Moyle: ICAI's review of DFID's work to eliminate violence against women and girls said it was concerned that the number of DFID country programmes with a focus on this issue had declined. You mentioned earlier on about the importance of this issue. Why on earth has this happened?

Nick Dyer: In part it is the wrong metric. The number of projects is not the right metric. Your reach is probably a better metric, in terms of how many women and girls you are reaching. You could have double the number of smaller programmes that you run and see a reduction in your reach, so the focus on the number of projects is not the right metric in the first place.

On the surface it may look like a reduction, but we also recognise that from year to year the shape of portfolios does change. The number has not captured the number of violence against women programmes that we are doing through the CSSF nor through our pipeline programmes that are currently in preparation.

This goes back to the question Mr Scully raised in terms of how easy it is to take a new issue and drive it and increase the investment throughout the organisation. Violence against women is one of these issues where



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the organisation is saying to us, "Tell us what works and does not work and then we will invest in it", and we are saying, "We are not quite sure yet and we have this research programme that will give us more evidence and knowledge in the next few years". A combination of that plus our investments in learning, advisory capability, cadres, communities and practice should over time see an improvement in this. In the short term, I would not necessarily be too worried about this one-off reduction.

- Q60** **Lloyd Russell-Moyle:** It is really strong that you are talking about evidence and the effectiveness of programmes, and maybe you are right that the effectiveness of programmes outweighs just the number of programmes. On the cancellation of the Girl Effect programme, you buckled under pressure from hostile media and you have no evidence that it was a non-effective programme. ICAI in fact says that the programme needed more time to demonstrate its effectiveness. It may have been a very effective programme in fact, but was cancelled because of this knee-jerk reaction against some really rabid reporting from disgraceful tabloids. Do you think it was a mistake to cancel that and not to allow it to run its programme, like ICAI suggests?

Nick Dyer: When we went through the line-by-line reviews we did last year in terms of whether programmes met our strategic objectives and gave us the best value for money, it was decided that this programme did not meet those criteria.

- Q61** **Lloyd Russell-Moyle:** It did not meet the strategic objective of eliminating violence against—

Nick Dyer: It is strategic objective and the value for money. We have good examples of projects elsewhere. We have a programme in Uganda, which is engaging with communities to mobilise change against violence against women and we are seeing very good results of that. 52% of the women involved in that programme are saying that they have seen reduced partner violence, so there are some very good, high-value-for-money programmes that are delivering in this area.

- Q62** **Lloyd Russell-Moyle:** You think that ICAI was wrong when it said that it had been cancelled for reasons other than unsatisfactory results, and you are saying that ICAI was wrong when it said it was too early to assess the long-term norm changes. Do you think it was wrong on that assessment?

Nick Dyer: No, what I am saying is—

- Q63** **Lloyd Russell-Moyle:** Were you wrong in the assessment to cancel?

Nick Dyer: What I am saying is that the decision to cancel was based on a balance between understanding the strategic objectives and whether we felt it was giving us value for money.

- Q64** **Lloyd Russell-Moyle:** In terms of strategic objectives, you said very clearly this is a new strategic objective for DFID, so it would seem to fulfil



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that one. When I asked, you said it was because it was not seeming to be as effective as it could have been, and ICAI is saying that there was no evidence of unsatisfactory results and it was too short a time to see longitudinal changes. I am failing to see what evidence you have about cost effectiveness. Is there something that ICAI is missing here in what it is saying about the effectiveness of the programme?

Nick Dyer: What we are always missing when we look at individual projects in isolation is the wider question around how we can deploy our resources to best effect, given the wide range of objectives that we have and the relative balance of value for money across different interventions. What we are saying is that we could have spent that money better elsewhere, and released £7 million by closing it.

Q65 **Chair:** Does it raise a wider concern that you are going to become more risk-averse because of the media and political environment?

Joy Hutcheon: One of the things that we have been conscious of doing in the work that we have done—this Committee has encouraged us to improve our risk management over the course of the last year—has been trying to avoid that and trying to enable staff to stay confident in handling different kinds of risks. Once we understand where our risk appetite is, and once we have agreed what level of risk we are taking it is about how to stay on top of that, mitigate it and then escalate it if it looks as if it is crystallising. The way we are trying to avoid that is by building capability and confidence in handling risk.

Q66 **Chair:** The Government's aid strategy rightly has a greater emphasis on fragile states, conflict-affected states and the important UK role in the framing of SDG 16 around issues of governance. These are by their nature long-term programmes that are not necessarily going to produce results quickly and where sometimes things will go wrong. There is a lot of concern that this example that Lloyd has highlighted could become a trend towards safer programming rather than riskier programmes. You must have heard that before.

Nick Dyer: You are right to say we are a high risk organisation, given where we are operating. If you are operating in the most fragile, poorest states in the world you are taking risks. What we are aspiring to do is to run a programme project management system, risk and assurance controls, and a risk management system that gives us the confidence that we can manage those risks well. We just need to be confident and we need to be brave in approaching that.

Q67 **Lloyd Russell-Moyle:** You sound really positive and you are talking about some of the things you are putting in place now to make sure that you are able to do a rebuttal against media. We have heard about some of that in some of the other discussions that we have had with DFID. Is that an acknowledgement, to some extent, that maybe DFID was being battered a bit too much by the media and was maybe finding itself becoming too risk-averse? Is the fact that you have had to put these



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mechanisms in to try to strengthen yourself an acknowledgment that maybe there have been some moments where you have buckled under the media pressure.

Joy Hutcheon: Strengthening our risk management has been a journey that the department has been on very significantly for the last three or four years. We have been battered by the media on and off at various points during that time. There is not a direct relationship. We do not see a knee-jerk response from staff, but we do realise that we are running very risky programming, as Nick said, in an environment that can be very hostile, and so we have felt the need to try to help staff feel confident and capable in handling that risk.

Nick Dyer: Our responses on risk management, risk and assurance, controls and programme management comes from the scrutiny that we have been under from our scrutiny bodies rather than from the press.

Q68 **Paul Scully:** In its review on tax avoidance, ICAI recommended the Government assess the impact of UK tax policies on developing countries, but you rejected that recommendation. Can you tell us why?

Nick Dyer: That is for two reasons. One is that it is not in our gift. Domestic tax is an issue for the Treasury, not for DFID, so we cannot respond to that recommendation. The Treasury's view, as I understand it, is that to do that type of spill-over analysis is very resource-intensive and they think there is more to be gained by focusing on raising revenue in developing countries than doing lots of analytical work.

Q69 **Chair:** There was a very careful answer. Could I press you as to DFID's view? It is not surprising that is the Treasury's view, but what is DFID's view?

Nick Dyer: Our view is that this is an issue for Treasury.

Q70 **Paul Scully:** You do not think that there is any role for DFID in joint working, in terms of coming up with a joint policy on this, and having policy coherence.

Nick Dyer: In terms of the policy coherence, we do a lot of work on tax with the Treasury, which you can regard as policy coherence in terms of the automatic exchange of information, the BEPS work and international tax avoidance, etc, so there is quite a lot of international work that we do with the Treasury. In terms of how the Treasury deal with the UK domestic tax issues, they will make their decisions on that.

Q71 **Paul Scully:** You talk about the fact that the Treasury has decided that it is too costly and too intensive. ICAI talks about the fact that you are unable to know the full impact unless you do the analysis, so there is a chicken-and-the-egg situation there, is there not?

Nick Dyer: All I would say is this is an issue for the Treasury. One of our responses to the ICAI tax report was that we have been asking ourselves whether our focus on the international work, which is really important, is



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the right focus; you are going to get more impact by focusing on domestic revenue raising by countries in-country, because that is where the effort should be and that is where the biggest and fastest gains are going to be. I was in Ethiopia last week, and it is just quite clear that Ethiopia has the aspiration to raise significant levels of tax and that ultimately is the exit from aid. That is where the big wins are.

Chair: Thank you very much. We have come to the end of our questions, so thank you very much for your evidence to us here today.