



National Audit Office

DEPARTMENTAL OVERVIEW

A summary of the NAO's work on the Department for International Development 2010-11

SEPTEMBER 2011

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.



National Audit Office

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Introduction

Aim and scope of this briefing

The primary purpose of this Departmental Overview is to provide the International Development Committee with a summary of the work by the National Audit Office on the Department for International Development since June 2010. It is one of seventeen we have produced covering our work on each major government department. The briefing draws on the Department's Annual Report and Accounts for 2010-11 and other published sources, but its main focus is the findings of work published by the NAO, in particular, those areas where we believe the Department's performance could be improved. The content of the briefing has been shared with the Department to ensure that the evidence presented is factually accurate, but the content of the briefing is the sole responsibility of the NAO.

During 2010-11, we provided the International Development Committee with briefing on the Department's work in 2009-10 and its priorities for reform. In addition, we set out for the Committee the Department's arrangements for overseeing the UK's development finance partner, CDC Group plc, and provided a summary of CDC Group plc's investment approach.¹ We also prepared a briefing to support the Environmental Audit Committee's inquiry into the impact of UK overseas aid on environmental protection and climate change.²

We will continue to support all select committees in 2011-12, providing briefing on each major department and supporting specific inquiries wherever our expertise and perspective can add value.

1 National Audit Office, *Briefing for the House of Commons International Development Committee, The work of the Department for International Development in 2009-10 and its priorities for reform*, November 2010, and National Audit Office, *Briefing for the House of Commons International Development Committee, National Audit Office work on DFID's oversight of CDC and a summary of CDC's investment approach*, December 2010.

2 National Audit Office, *Briefing for the House of Commons Environmental Audit Committee, Aid and the Environment*, February 2011.

Part One

About the Department

The Department's responsibilities

1 The Department for International Development (the Department) was set up in its current form in 1997 and is responsible for leading the Government's efforts to promote international development and eliminate poverty. It supports the achievement of the Millennium Development Goals set by the United Nations. It aims to: create wealth in poor countries; strengthen governance and security, particularly in fragile and conflict-affected countries; lead international action to improve the lives of girls and women; and tackle climate change.³

2 The Department has lead responsibility for the UK's commitment to spend 0.7 per cent of Gross National Income as Official Development Assistance from 2013.⁴ The Government is planning to enshrine this commitment in law.⁵

How the Department is currently organised

3 The Department had 2,372 full-time equivalent staff at March 2011. Its staff are split between directorates covering policy and global issues, corporate performance and country programmes. Almost half of the staff are located in the Department's offices in 36 developing countries.⁶ The Department's Management Board, chaired by the Permanent Secretary, is responsible for overseeing the Department's performance. As at July 2011, it comprised five executive directors and one non-executive director. The Department also has a

Strategic Board, chaired at Ministerial level, and including two non-executive directors. The Strategic Board met for the first time in March 2011. It will meet at quarterly intervals and will oversee implementation of the Department's Business Plan.⁷

4 The Commonwealth Scholarship Commission is a Non-Departmental Public Body of the Department.⁸ It provides to the Commission around £17 million per annum. The Commission administers the UK contribution to the Commonwealth Scholarship and Fellowship Plan, which offers scholarships and fellowships to citizens of Commonwealth countries to study at UK universities and other institutions.

5 The Department also owns, on behalf of the Government, CDC Group plc, the UK's development finance partner.⁹ CDC has not received any new funding from the Department since 1995.¹⁰ In May 2011, the Department agreed a new high level business plan for CDC Group plc, requiring that all future CDC investments should aim to benefit countries in South Asia and Sub-Saharan Africa. The Department said CDC will in the future be prepared to take greater risks than commercial investors and use a wider range of investment instruments including direct investments and debt.¹¹

Where the Department's money went in 2010-11

6 In 2010-11, the Department's expenditure was £7.7 billion. **Figure 1** overleaf sets out the main components of the Department's expenditure.

³ Department for International Development, *Business Plan 2011-2015*, May 2011, p1-2.

⁴ Official Development Assistance is reported in calendar years.

⁵ Department for International Development, *Business Plan 2011-2015*, May 2011, p1.

⁶ Department for International Development, *Annual Report and Accounts 2010-11: Volume I: Annual Report*, para 1.9 and *Volume II: Accounts*, p60, July 2011.

⁷ Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, p13-14.

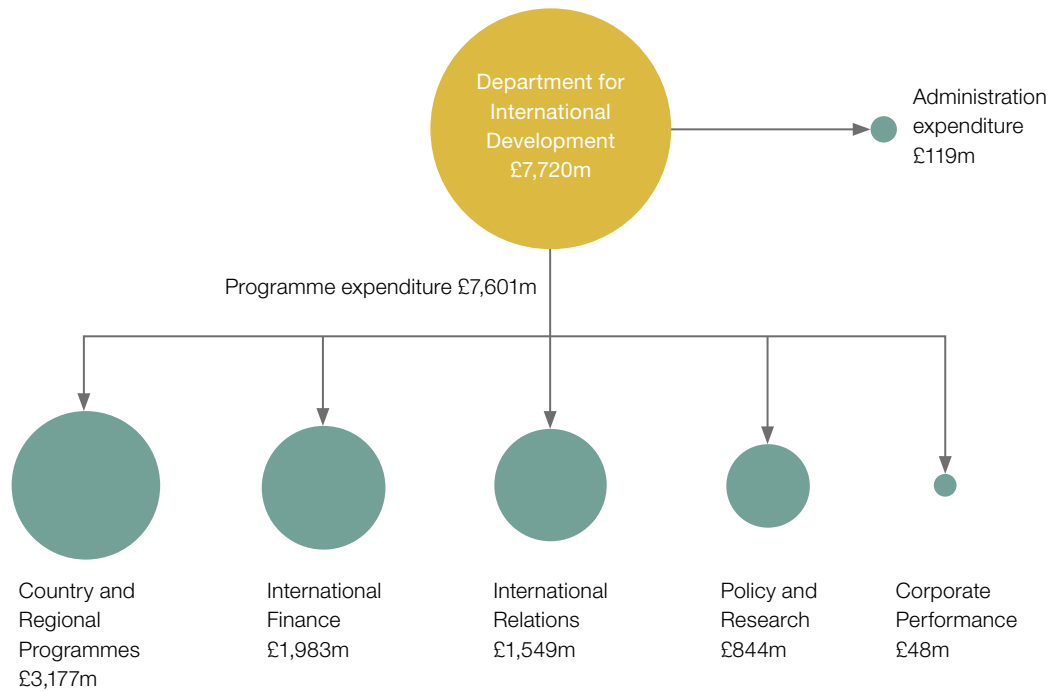
⁸ Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, p31.

⁹ Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, p31.

¹⁰ National Audit Office, *Briefing for the House of Commons International Development Committee, National Audit Office work on DFID's oversight of CDC and a summary of CDC's investment approach*, December 2010, para 1.3.

¹¹ Department for International Development website, June 2011, <http://www.dfid.gov.uk/About-DFID/Who-we-work-with/CDC/>

Figure 1
Where the Department's money went in 2010-11



NOTES

- 1 Total expenditure of £7,720 million is the outturn against the Department's budgets which comprise its resource departmental expenditure limit, its capital departmental expenditure limit and its annually managed expenditure (both voted and non-voted). Depreciation is excluded as the capital departmental expenditure limit includes capital expenditure and therefore depreciation of assets purchased would be double counting. Capital expenditure is treated differently for the purposes of the Department's Accounts. In its 2010-11 Accounts, £18 million of depreciation was charged to the Department's administration expenditure.
- 2 Administration expenditure is shown net of £17 million of income, including capital income of £11 million.
- 3 International Finance includes funding provided to the World Bank, Global Funds (such as the Global Fund for Aids, Tuberculosis and Malaria), the Regional Development Banks and Debt Relief.
- 4 International Relations includes the Department's share of the European Commission's development spending and funding the Department gives directly to the European Development Fund and to United Nations and Commonwealth organisations.
- 5 Policy and Research includes expenditure on climate and environment, civil society and research and evidence.
- 6 Corporate performance includes expenditure on overseas pensions, development awareness and aid effectiveness.

Source: National Audit Office presentation of Department for International Development data

Recent developments

7 In October 2010, the Government announced in its Spending Review that the Department's total budget would increase from £7.8 billion in 2010-11 to £11.5 billion in 2014-15;¹² a real terms increase of a third at a time when most departmental budgets are being cut.¹³ Over the same period the Spending Review settlement enables the Department's running costs to increase by 6 per cent in real terms to £233 million in 2014-15. Running costs comprise the Department's:

- **programme support budget**, which covers the cost of front-line staff. This budget increases by 76 per cent in real terms from £72 million in 2010-11 to £139 million in 2014-15; and
- **administration budget**, including 'back office' functions. This budget reduces by a third in real terms from £128 million in 2010-11 to £94 million in 2014-15.¹⁴

8 Underpinned by two major reviews of its aid programmes during 2010-11, the Department has changed how it allocates resources:

- In its Bilateral Aid Review the Department's country teams made evidence-based proposals setting out what outputs they could deliver in the four years to 2014-15 and how much resource they would need to deliver them. This was accompanied by a top-down review – including consultation with Ministers – to ensure overall programme affordability and that strategic priorities were being met. In previous years bilateral resources were allocated through a top-down process focused on money, using a formula based on country need and the likely effectiveness of assistance.¹⁵

- In its Multilateral Aid Review, the Department assessed the value for money of its funding of individual multilateral organisations by examining their relevance to UK development objectives and their organisational strengths. This review was the first time the Department had used a single set of criteria to assess each of the multilaterals it funds at the same time.¹⁶

9 In addition to the Bilateral and Multilateral Aid Reviews, the Department also commissioned Lord Ashdown to review the UK's Humanitarian Emergency Response. The March 2011 review concluded that the Department was well regarded, with excellent humanitarian staff and made recommendations for how the Department could further improve its response to emergencies.¹⁷ The Department accepted the vast majority of recommendations and is now seeking to make improvements such as deployment of more varied UK experts, greater use of the armed forces where appropriate, a new rapid response facility providing fast funding assistance to humanitarian charities, the creation of new partnerships, and better use of innovation such as satellite mapping.

10 The Department has established the new Independent Commission for Aid Impact to provide independent scrutiny of UK aid. After a period of shadow running the Commission became an advisory Non-Departmental Public Body in May 2011. The Commission's focus is on maximising the impact and effectiveness of the UK's aid budget for recipients and the delivery of value for money for the UK taxpayer. It reports to Parliament through the International Development Committee.¹⁸

¹² Values are the total of the Department's resource departmental expenditure limit and its capital departmental expenditure limit. They exclude the £100 million in annually managed expenditure the Department has been allocated for each year of the Spending Review period.

¹³ HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, p60.

¹⁴ HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, p87 and National Audit Office, *Department for International Development: Financial Management Report*, HC 820, 2010-12, p16. The administration budget is not on the same basis as the administrative expenditure shown in Figure 1. In particular, the budget excludes capital income.

¹⁵ National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, paras 3.3, 3.4 and the Department for International Development, *Bilateral Aid Review Technical Report*, March 2011, para 2.

¹⁶ National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, paras 3.5, 3.6.

¹⁷ *Humanitarian Emergency Response Review*; chaired by Lord Ashdown, March 2011, Executive Summary.

¹⁸ Independent Commission for Aid Impact, *About us*, July 2011, <http://icai.independent.gov.uk/about>

Capability and leadership

11 In 2006, the Cabinet Office launched Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. The Department for International Development's 2007 and 2009 reviews showed it to be a top performer amongst Government departments, and particularly highlighted its strong leadership and performance management. Since publication of the last round of external assessments, between April 2008 and December 2009, departments are now required to conduct and publish self-assessments and resultant action plans against standard criteria set out in the Cabinet Office model of capability, which was updated in July 2009.¹⁹ Departments must rate their capability against ten criteria under three themes:

- **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.
- **Strategy criteria** – 'set strategy and focus on outcomes'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.
- **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; 'develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.

12 All self-assessments are due for completion by March 2012, with the first self assessment nearing completion. In addition to self assessment, departments also have the option of asking the Cabinet Office to undertake a full external Capability Review assessment.

13 The Civil Service People Survey aims to provide consistent and robust metrics to help government understand how it can improve levels of engagement across the Civil Service. As part of this survey, civil servants across all participating organisations are asked a range of questions across nine themes which seek to measure their experiences at work. We present here the results of the second annual people survey for the Department for International Development – undertaken between mid-September 2010 and the end of October 2010 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 2**). Results of 17 major departments are in Appendix Two.

14 As part of the annual survey, each department receives an engagement index, assessing the level of staff engagement determined by: the extent to which staff speak positively of the organisation, are emotionally attached and committed to it, and are motivated to do the best for the organisation. In 2010, the Department for International Development achieved an engagement index of 71 per cent, not statistically different from its score in 2009, and 15 percentage points higher than the 2010 Civil Service average.

¹⁹ More information about Capability Reviews is available at: www.civilservice.gov.uk/about/improving/capability

Figure 2
2010 Civil Service People Survey: Department for International Development

Theme	Theme score (% positive) ¹	Difference from 2009 survey	Difference from Civil Service 2010 ²
Leadership and managing change			
I feel that the Department as a whole is managed well	60	1	19
Senior Civil Servants in the Department are sufficiently visible	65	5	20
I believe the actions of Senior Civil Servants are consistent with the Department's values	56		17
I believe the Departmental Board has a clear vision for the future of the Department	51	-5	16
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	50	-3	14
I feel that change is managed well in the Department	41	1	13
When changes are made in the Department they are usually for the better	30	-7	7
The Department keeps me informed about matters that affect me	66	-4	12
I have the opportunity to contribute my views before decisions are made that affect me	44	-2	12
I think it is safe to challenge the way things are done in the Department	42	0	2
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	94		10
I have a clear understanding of the Department's objectives	91	-1	14
I understand how my work contributes to the Department's objectives	90	-1	10

NOTES

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2010 benchmark is the median per cent positive across all organisations that participated in the 2010 Civil Service People Survey. The difference between the Department and the Civil Service (Appendix Two) may differ due to rounding.

Source: *Department of International Development Results Autumn 2010*. <http://www.dfid.gov.uk/Documents/recruitment/ppl-srvy-dfid-2010.pdf?epslanguage=en>

Part Two

Financial management

15 The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services and benchmarking performance to determine whether costs are justified and value for money can be improved. Organisations also need to move their risk management arrangements from a process-led approach to one which supports the efficient and effective delivery of services. Organisations have to publish Statements on Internal Control²⁰ with their Annual Financial Statements which describe their arrangements for risk management, internal control and governance.

Financial outturn for 2010-11 and comparison with budget

16 In 2010-11, the Department underspent its £7.2 billion total Resource Estimate by £78.5 million (1 per cent).²¹ The Department reported that the variance was due to an "increasing focus on results based aid and improved value for money" arising from reviews undertaken by the Department, which had "led to alterations in the structure of certain projects and the timing of the Department's commitments".²²

17 Provisional figures showed UK Official Development Assistance totalled £8.4 billion in 2010, equal to 0.56 per cent of UK Gross National Income and in line with forecast levels.²³ The Department's own expenditure accounted for 88 per cent of total UK Official Development Assistance in 2010. In April 2011, the Department revised the UK's 2009 Official Development Assistance from 0.52 per cent of Gross National Income to 0.51 per cent, following review by the Development Assistance Committee of the Organisation for Economic Co-operation and Development.²⁴

Progress on efficiency

18 Departments are under increasing pressure to reduce costs. The scale of cost reduction required means that they are having to look beyond immediate short-term savings, and think more radically about how to take cost out of the business and how to sustain this in the longer term. Our **Short Guide to Structured Cost Reduction**,²⁵ published in June 2010, sets out the high level principles that we would expect departments to follow in taking a structured approach to cost reduction. It covers the three stages of cost reduction – tactical efficiency savings, strategic operational realignment, and sustainable cost reduction – and outlines nine principles underlying structured cost reduction, including, having a data-driven approach to understanding, comparing and interrogating costs.

20 From 2011-12, departments will produce a Governance Statement rather than a Statement on Internal Control.

21 There are a number of reasons why the Department's reported outturn against its Estimate is not the same as its reported expenditure included in Figure 1 on page 6 of this Guide. The main difference is that the UK's share of the European Commission's development spending is not included in the Department's Estimate (and thus reported outturn) or its Accounts as it is made from the Consolidated Fund. The UK's share of European Commission's development expenditure is, however, part of the Department's budget (paragraph 7, page 7) and its reported expenditure as set in Figure 1, page 6.

22 Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, p8.

23 Figures for Official Development Assistance are subject to review by the Development Assistance Committee of the Organisation for Economic Co-operation and Development. Finalised figures for 2010 are due to be made available by the Department on the 6 October 2011.

24 Department for International Development, *Statistical Release, Provisional UK Official Development Assistance as a proportion of Gross National Income, 2010*, March 2011.

25 National Audit Office, *A short guide to structured cost reduction*, June 2010 www.nao.org.uk/publications/1011/structured_cost_reduction.aspx

19 We have published detailed information and guidance on a number of the principles underpinning effective structured cost reductions, including **Managing risks in government**,²⁶ **Progress in improving financial management in government**,²⁷ and **Taking the measure of government performance**.²⁸

20 Whilst the Department is operating with an increasing overall budget, it, like all other Government departments, is aiming to improve internal efficiency and reduce administration costs. The Department's administration budget will reduce by a third in real terms between 2010-11 and 2014-15. Figures included in the Department's latest Accounts show that it had reduced its administration expenditure by around £9 million (5.6 per cent) in 2010-11, exceeding by around £4 million the reduction included within its 2010-11 Estimate.²⁹

NAO reports on financial management and efficiency

21 Our April 2011 report on **Department's financial management**³⁰ found that the Department had improved its core financial management and strengthened its focus on value for money but key gaps in financial management maturity remained. The report identified a number of important areas where improvements could be made.

22 On **financial skills**, the Department had increased its capability, but needed to grow it further, and use it more effectively across the business. We recommended that the Department prioritise training for all staff with financial management responsibilities.³¹

23 On **management information**, weaknesses remained in the financial management and information systems introduced by the Department in recent years. And although improving, there remained a significant weakness in the Department's financial forecasting. The Department needed to consider its longer-term strategy for aligning its information systems and business processes.³²

24 On **risk management**, we found it was not fully embedded, and in particular, the Department had yet to define fully the strategic risks it faced in implementing its high-level spending plans. In particular, the Department is seeking to grow its front-line capacity within a very tight time frame. It is also needs to quickly grow and develop its emerging ideas for future projects and programmes while carrying out robust value for money scrutiny of individual proposals. We concluded the Department was good at identifying and mitigating certain types of risk such as security risks present in fragile states, but it needed to fully align its risk management with other management activities and with appropriate risk registers maintained by business units and country offices.³³

25 In July 2011, the Department reported that it had adopted a revised risk management framework to accommodate its changing environment, particularly in the context of overall budget increases and cuts to administration. The Department said that as part of this framework the Management Board had developed a set of refreshed risks and was developing a statement of its risk appetite.³⁴

26 National Audit Office, *Managing risks in government*, June 2011, www.nao.org.uk/publications/1012/managing_risks_in_government.aspx

27 National Audit Office, *Progress in improving financial management in government*, HC 487, 2010-11.

28 National Audit Office, *Taking the measure of government performance*, HC 284, 2010-11.

29 National Audit Office calculation based upon values included in the Department for International Development's *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, p.p8, 55. Administration expenditure in the Department's Accounts is not defined on the same basis as the Department's administration budget, discussed in paragraph 7, p7. The budgeted figure does not include depreciation and impairment.

30 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, para 8.

31 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, para 20g.

32 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, paras 11, 20h.

33 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, paras 14, 15, 19, 20j.

34 Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011 p26.

26 On **dealing with corruption and fraud**, we found that the Department had no systematic or comprehensive approach to quantifying the extent of fraud and corruption. The Department tracks the number and value of detected losses due to fraud but its Internal Audit Department considers that the Department significantly under-captures the incidence of fraud.³⁵ We concluded that the Department was too reactive in managing fraud and corruption and recommended that the Department:

- do more to establish the impact of leakage on its business, by corraling the knowledge it already has and through research; and
- extend its efforts to spread lessons learned in the identification and investigation of fraud.³⁶

27 In early 2011, the Department began putting in place a finance improvement plan to address many of the above points. The plan covers: financial capability, leadership skills and training; forecasting, budget management and information reporting; maximising value for money; and fraud and corruption.³⁷ We recommended in April 2011 that the plan should include specified action points, milestones and clear accountabilities, and should be kept under active review.³⁸

NAO financial audit findings

28 The Comptroller and Auditor General audits the main Accounts of the Department, and the associated Superannuation Accounts. Both sets of 2010-11 Accounts received an unqualified audit opinion.³⁹ The Department's main Accounts also cover transactions made by its executive Non-Departmental Public Body, the Commonwealth Scholarship Commission.

Issues raised in Statements on Internal Control

29 We work with the Department to improve its published Statement on Internal Control. We aim to ensure that the processes by which the Statement is produced are robust and that the Statement complies with Treasury guidance.

30 The Accounting Officer's Statement on Internal Control in the Department's 2010-11 Accounts draws on assurances from a number of sources, including the Department's internal auditors, sub committees of the Management Board and statements made by the director of each departmental division. The statements cover risk identification and management, and compliance with controls. The Statement on Internal Control includes the Department's view of the key issues that arose during the year and the key risks to its performance. The Department identified the key risks as:

- failure of its stewardship and monitoring systems and procedures bringing risks to the proper accounting, use and value for money of expenditure;
- development projects not being delivered as planned or not achieving intended impact;
- internal projects not delivering intended efficiency and management improvements for the Department;
- working with partners, including multilateral organisations and developing country governments, each with their own specific risks;
- working in fragile states with the need to address increased risks of fraud and corruption; and
- the security and safety of its staff.⁴⁰

35 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, paras 16, 3.18, 3.21, 3.26.

36 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, para 20e.

37 Public Accounts Committee hearing on Department for International Development's Financial Management, Corrected Transcript, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/c1398-i/c139801.htm>

38 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, para 20f.

39 Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, p35 and Department for International Development, *Overseas Superannuation Accounts 2010-11*, p14.

40 Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, pp25-26, 33.

31 The Department recognises that there are also significant external risk factors which affect its ability to promote international development and alleviate poverty. In its 2010-11 Accounts, the Department explicitly identified the following external risk factors:

- Macro-economic trends in developed and developing countries and economic shocks.
- The impact on developing countries of climate change and conflict.
- Major public health trends, such as HIV/AIDS, which affect development.
- Any potential weakening of commitment to poverty elimination by partner governments.⁴¹

32 The 2010-11 Statement on Internal Control identified a number of areas where the Department was improving its procedures. These included giving greater attention to delivering results and value for money through its Bilateral and Multilateral Aid Reviews and the introduction of a new business case model, based on HM Treasury's approach, to strengthen its project appraisal.⁴²

33 The Statement on Internal Control did not identify major weaknesses in the Department's control procedures but did identify a number of areas where the controls governing the management of projects run by its country offices needed to be improved. The Department said its staff needed to: improve the scrutiny of annual accounts provided by those receiving Departmental funding; ensure the timely completion of project monitoring reports; and improve the transparency of decisions by better evidencing on the Department's information systems. The Department reported that it had action plans to address each of these issues.⁴³

41 Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011 p5.

42 Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, pp25-33.

43 Department for International Development, *Annual Report and Accounts 2010-11: Volume II: Accounts*, July 2011, pp28-30.

Part Three

Use of information

34 Government needs robust, timely information on context, activities, costs, progress against its objectives, and the cost-effectiveness of its activities. It also needs to be able to interpret that information, by reference to trends, expectations, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity, and drive continuous improvement.

35 The Coalition Government has pledged, under the transparency agenda, to make more government information available to the public to help improve accountability and deliver economic benefits. In June 2010, the system of Public Service Agreements ended and instead, departments are to be held accountable to the public based on the data they use to manage themselves.

Reporting performance: Annual Reports and Business Plans

36 Each government department now reports its performance against the priorities and objectives set out in its Business Plan. The Plan's transparency section includes performance indicators selected by the department to reflect its key priorities and demonstrate the cost and effectiveness of the public services it is responsible for. These indicators fall broadly into two categories:

- input indicators: a subset of the data gathered by the department on the resources used in delivering services; and
- impact indicators: designed to help the public judge whether departmental policies are having the desired outcome.

37 The Plan's structural reform section provides a detailed list of actions and milestones designed to show the steps the department is taking to implement the Government's reform agenda.

38 Departmental progress against indicators is published regularly in a Quarterly Data Summary, most recently in July 2011. The Quarterly Data Summary is designed as a standardised tool for reporting selected performance metrics for each government department, in a way that facilitates comparison across departments where this is appropriate. Data published in the summary can be compared to the previous quarter (April 2011) which will also be the baseline for this data set. The information in the summary has not been audited and the Cabinet Office has said that the accuracy of the data for all departments needs to improve.⁴⁴ However, the Cabinet Office expects that over time, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and understandable manner. An annual version of this information is expected to be formally laid in Parliament in departments' Annual Reports and Accounts from 2012 onwards.

39 It is too early to comment on departmental performance reported against the new performance indicators. Through its review of departmental business planning, however, the House of Commons Committee of Public Accounts⁴⁵ identified some essential elements to help ensure effective accountability and value for money, including the need for:

- monitoring arrangements which align costs and results for all significant areas of departmental activity and spending; and
- clear definitions of expected outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met.

⁴⁴ <http://www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary>

⁴⁵ *Departmental Business Planning* (Thirty-seventh Report of Session 2010-12), House of Commons Committee of Public Accounts, May 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf>

Performance reported by the department

40 The Department for International Development's 2011-15 business plan sets out its overall vision and its structural reform priorities under six themes: honour international commitments; introduce transparency in aid; boost wealth creation; strengthen governance and security in fragile and conflict-affected countries; lead international action to improve the lives of girls and women; and combat climate change.⁴⁶

41 As at September 2011 the Department was finalising how it will report its performance over the Spending Review period. Reporting will include:

- the Department's progress against **milestones and actions for each of its structural reform priorities**. The Department reported in July 2011 that it had made good progress against the actions set out in its structural reform plan. Of the 24 which were due to be completed in 2010-11, it had completed 21 on time, with the other three completed within one month of the original deadline. As at May 2011, a further 66 actions are due to be completed in the period to March 2015. The Department provides monthly updates on the status of all current actions on its website.⁴⁷
- the Department's performance against the **eight input indicators and seven impact indicators** set out in its business plan.⁴⁸ The indicators address important aspects of the Department's business, but they do not cover all the Department's stated priorities. For example, the indicators cover elements of four of the Department's six structural reform priorities but do not cover governance and security in fragile and conflict-affected countries or transparency in aid. The Department plans to publish its performance against a wider set of indicators to improve coverage of its priorities.
- the **progress the Department's priority countries are making towards a subset of the indicators set by the United Nations for tracking the Millennium Development Goals** (see Part 4).

42 The Department draws on data collected in developing countries to inform its work and monitor progress against the Millennium Development Goals, and its own input indicators and impact indicators. The Department is aware of weaknesses in this data and has funded work to strengthen statistical systems at country and at international level. The Department's latest Annual Report explains that data supporting its input and impact indicators are collected for different reference periods, are often subject to long time lags between collection and publication, and may not be available every year.⁴⁹

Testing the reliability of performance data across government

43 Some of the data systems used to report against the new performance indicators may be the same as those used by the Department to report against Public Service Agreements. In July 2010, we published our Sixth Validation Compendium Report⁵⁰ on our work to test the systems used to report against Public Service Agreements. Our report found that the quality of data systems had improved but a third of the systems examined needed strengthening to improve controls or transparency and 10 per cent of systems were not fit for purpose.

44 Over the next three years we will complete work to validate the data systems underpinning the Departmental business plans and other key management information.

Use of information by the Department

45 During the last year our reports on the Department for International Development have highlighted areas where it could improve the quality and use of information and thereby secure improvements in value for money.

46 Department for International Development, *Business Plan 2011- 2015*, May 2011, p3.

47 Department for International Development, *Business Plan 2011- 2015*, May 2011, pp7-18 and Department for International Development, *Annual Report and Accounts 2010-11: Volume I: Annual Report*, July 2011, pp16, 18. Monthly updates are available from www.dfid.gov.uk/About-us/How-we-measure-progress/dfid-business-plan-2011-2015/Transparency/

48 Department for International Development, *Business Plan 2011- 2015*, May 2011, pp28-29.

49 Department for International Development, *Annual Report and Accounts 2010-11: Volume I: Annual Report*, July 2011, pp147-8.

50 National Audit Office, *Taking the measure of government performance*, July 2010, HC 284, 2010-11.

46 Improving the range and quality of information: In our report on **primary education**⁵¹ we found that the Department's monitoring had focused on school enrolment. Through a 2009 review of its education portfolio the Department had identified wide variations in apparent cost-effectiveness, but it did not have the information to interpret why this was the case. We concluded that improved information on cost and service performance was needed for the Department to make fully informed decisions on targeting its assistance and the value for money achieved. To do this the Department needs to:

- build direct indicators of quality and attainment into internal programme objective and monitoring documents;
- investigate unit cost variations to assess whether costs are as low as they should be whilst still maintaining standards; and
- develop efficiency and cost-effectiveness metrics, such as costs per hour of instruction delivered and received, and investigate variations in those metrics.

47 In its December 2010 report on **primary education**, the Committee of Public Accounts also commented on the quality of information. It recommended that where national data systems are weak, the Department should first develop a plan to strengthen them. However, where improvement proves insufficient, the Department should be prepared to use alternative means of collecting information or change the way it delivers aid.⁵²

48 In February 2011, the Department said that within two years it would have information on the cost per child supported in primary school for all of its priority countries, information on unit costs of key inputs such as classrooms, and better data on the status of learning in some of its priority countries.⁵³

49 Improving value for money: Our report on the **Department's financial management**⁵⁴ found that the Department's efforts since 2008 to improve the link between financial and performance data had led to improvements in measures used to assess project progress and results, but there were still weaknesses in around a quarter of its projects. The report also found that the Department's evaluation of costs had not consistently influenced its decisions on the design of projects. In January 2011, the Department introduced new approaches to preparing and reviewing business cases which should add rigour to the value for money assessment of new projects. Our report also concluded that the Department needed to strengthen the links between inputs and outputs, extend unit cost data and, as part of its business cases, establish value for money thresholds which if not achieved would trigger the requirement for re-approval or cancellation of projects.

50 In the same report,⁵⁵ we were able to make a limited early assessment of the likely impact of the Department's new approach to resource allocation on value for money (see paragraph 8). We stated that the approach has the potential to drive a much stronger focus on aid results and value for money.

51 National Audit Office, *Department for International Development: Bilateral Support to Primary Education*, HC 69 2010-11, paras 7, 9, 10, 16, 17a, 17f.

52 Committee of Public Accounts, *The Department for International Development's Bilateral Support to Primary Education*, 13th Report 2010-2011, para 5.

53 HM Treasury, *Treasury Minute Government responses on the Third to the Thirteenth Reports from the Committee of Public Accounts Session 2010-11*, Cm 8014, February 2011, p64.

54 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, paras 12, 20d, 3.15.

55 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, paras 1, 13.

Part Four

Service delivery

51 Public services are different in the ways they are delivered, but their quality and cost-effectiveness depends on a number of common minimum requirements. For example, service delivery requires a well thought-out delivery model, sound programme and project management, strong commercial skills, mature process management and a real understanding of customer needs. Many of our reports to Parliament cover these issues. We summarise below some of this work, organised by key areas of the Department's business.

52 Progress towards the Millennium

Development Goals: The Department provides services by funding the governments of developing countries and organisations operating in those countries, or by funding multilateral organisations which have their own networks for delivering aid.⁵⁶ Many of the services are designed with the aim of assisting developing countries to make progress against the Millennium Development Goals set for 2015. Each year the Department assesses the progress its priority countries are making towards a subset of the indicators set by the United Nations for tracking the Millennium Development Goals. In its 2010-11 Annual Report, the Department assessed that overall its 27 priority countries were on-track to achieve 36 per cent of the seven indicators it had selected, with progress on the education gender equality indicator significantly better than the others (**Figure 3** overleaf). The countries were off-track for 25 per cent of the indicators and seriously off-track for 23 per cent. The Department judged that it did not have sufficient data to assess the progress of its priority countries against the remaining 15 per cent of indicators.⁵⁷

53 Improving educational attainment: The Millennium Development Goal indicators selected by the Department include enrolment rates in primary education and the ratio of girls to boys enrolling in primary education. Our 2010 review of the Department's **Bilateral Support to Primary**

Education found that it had successfully supported developing countries in pursuing universal enrolment and improving the educational prospects for girls.⁵⁸

54 Primary education, however, can help poverty reduction only if it equips children with basic knowledge and skills. We found that completion rates for primary education as a whole in the Department's priority countries were low. In addition, educational quality and attainment had remained at the very low levels prevailing at the start of the Department's 2001 Education Strategy. The Department had by 2010 only recently started to address the imbalance between enrolment and issues of quality and cost-effectiveness. We therefore recommended that the Department:

- target improved levels and patterns of pupil attendance, and assess its effect on pupil performance;
- improve national examinations to better represent desired learning achievements and to enable comparison across districts and over time; and
- ensure that incentives and sanctions on school and teacher performance are adequate to motivate improvement.⁵⁹

55 Skills to deliver: Our 2010 report on the Department's **Bilateral Support to Primary Education** found that the Department's cadre of education advisers was stretched. The Department had 34 education advisers compared to the 162 education specialists employed by the World Bank which had a similar level of expenditure on education. The Department's 20 advisers based overseas spent on average 21 months in post and had limited time in the field to observe actual practice and progress. We concluded that the Department needed to ensure that it had sufficient experienced advisers to manage its increased education spending and advise education ministries in developing countries.⁶⁰ In February 2011, the Department committed to reviewing its advisory and technical expertise to reflect the outcomes of its aid reviews and acknowledged the need to increase its education advisers.⁶¹

⁵⁶ National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, para 1.11.

⁵⁷ National Audit Office analysis of data included in the Department for International Development, *Annual Report and Accounts 2010-11: Volume I: Annual Report*, July 2011, p35-91. The percentage values in this paragraph do not sum to 100 per cent due to rounding.

⁵⁸ National Audit Office, *Department for International Development: Bilateral Support to Primary Education*, HC 69 2010-11, para 15.

⁵⁹ National Audit Office, *Department for International Development: Bilateral Support to Primary Education*, HC 69 2010-11, paras 7, 16, 17b, 17d, 17e.

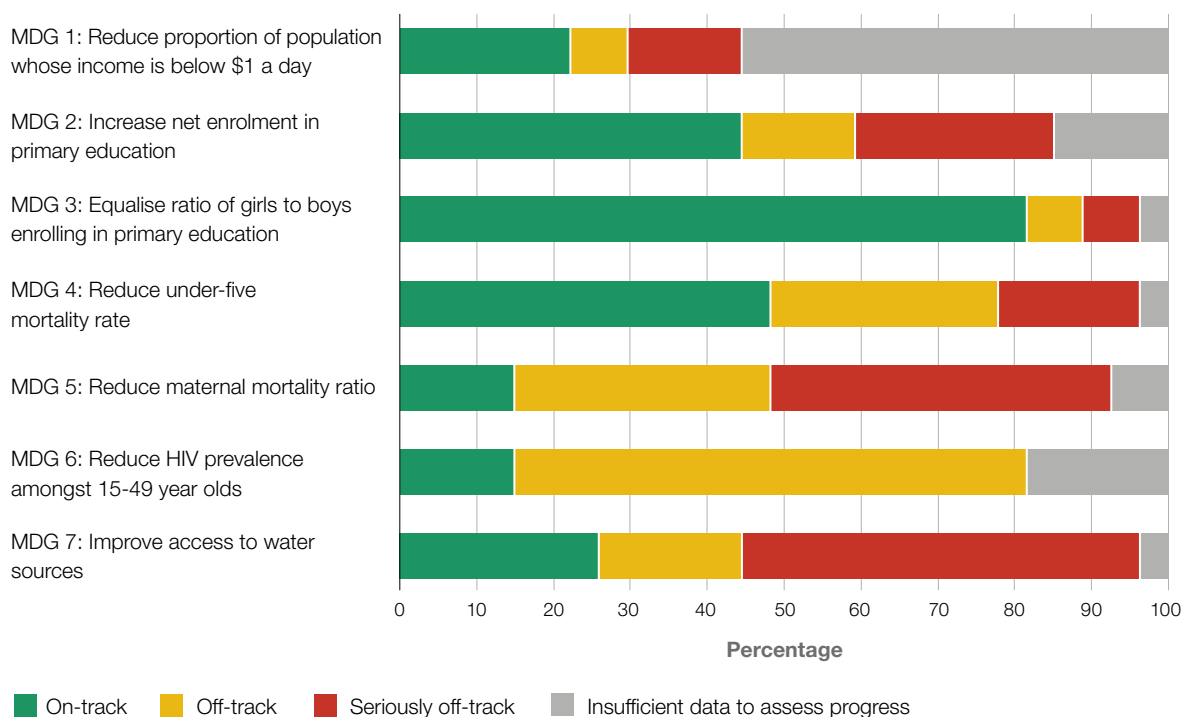
⁶⁰ National Audit Office, *Department for International Development: Bilateral Support to Primary Education*, HC 69 2010-11, paras 9, 17a, 5.1, 5.5-5.6.

⁶¹ HM Treasury, *Treasury Minute Government responses on the Third to the Thirteenth Reports from the Committee of Public Accounts Session 2010-11*, Cm 8014, February 2011, paras 6.3-6.4 on p66.

56 In November 2010, the Department told the International Development Committee that the increase in its programme support budget (see paragraph 7) would in theory enable it to hire an additional 300 to 400 front-line staff.⁶² In April 2011, we reported the Department was using its new operational planning process to identify the type and number of additional front-line staff it would need.

At that time, the Department estimated it would need at least 150 extra front-line staff in 2011-12, with more required in the following years.⁶³ The Department has subsequently taken steps to increase its front-line staff including by retraining and promoting existing departmental staff and running external campaigns to recruit advisers.

Figure 3
Percentage of the Department's 27 priority countries on-track to achieve seven key Millennium Development Goal indicators, as at July 2011



NOTES

- 1 On-track – Countries that have either 'achieved' their target or are on-track to achieve their target, i.e. they have a rate of progress above the rate needed to attain their target value by 2015.
- 2 Off-track – Countries that have made progress, but too slowly to reach their target by 2015. Continuing at the same rate, they would reach their target by 2040 at the latest.
- 3 Seriously off-track – Countries that have made still slower progress, or regressed.

Source: National Audit Office analysis of data included in the Department for International Development's Annual Report and Accounts 2010-11: Volume I, July 2011

62 International Development Committee, *Department for International Development Annual Report and Resource Accounts 2009-10*, Third Report of Session 2010-11, January 2011, para 72.

63 National Audit Office, *Department for International Development: Financial Management Review*, HC 820, 2010-12, paras 14, 3.8.

Appendix One

Publications by the NAO on the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
06 April 2011	Department for International Development: Financial Management Report	HC 820	2010-11
February 2011	Department for International Development: Aid and the environment	www.nao.org.uk/publications/1011/aid_and_the_environment.aspx	
December 2010	NAO work on DFID's oversight of CDC and a summary of CDC's investment approach – Briefing for the International Development Committee	www.nao.org.uk/publications/1011/oversight_of_cdc.aspx	
November 2010	The work of the Department for International Development in 2009-10 and its priorities for reform – Briefing for the International Development Committee	www.nao.org.uk/publications/1011/international_dev_committee.aspx	
30 June 2010	Short guide to the NAO's work on the Department for International Development	www.nao.org.uk/publications/1011/short_guide_dfid.aspx	
18 June 2010	Department for International Development: Bilateral Support to Primary Education	HC 69	2010-11
15 June 2010	Review of the data systems for Public Service Agreement 29 led by the Department for International Development	www.nao.org.uk/publications/1011/review_data_systems_for_psa_29.aspx	
24 November 2009	Performance of the Department for International Development 2008-09 – Briefing for the House of Commons International Development Committee	www.nao.org.uk/publications/0809/briefing_dfid.aspx	
30 October 2009	Department for International Development: Aid to Malawi	HC 964	2008-09
12 May 2009	Department for International Development: Progress in improving performance management	www.nao.org.uk/publications/0809/dfid_progress_in_improving_per.aspx	
05 December 2008	Investing for development: the Department for International Development's oversight of CDC Group plc	HC 18	2008-09
20 October 2008	NAO Survey of Perceptions of DFID Evaluation	www.nao.org.uk/publications/0708/nao_survey_perceptions_of_dfid.aspx	
16 October 2008	Department for International Development: Operating in insecure environments	HC 1048	2007-08
01 June 2008	The UK's Response to the South Asia Earthquake – Report to the International Development Committee	www.nao.org.uk/publications/0708/uk-response_to_asian_earthquake.aspx	

Appendix Two

Results of the Civil Service People Survey 2010

Question scores (% strongly agree or agree)

Leadership and managing change

I feel that the department as a whole is managed well	41
Senior Civil Servants in the Department are sufficiently visible	45
I believe the actions of Senior Civil Servants are consistent with the Department's values	39
I believe that the Departmental Board has a clear vision for the future of the Department	35
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	36
I feel that change is managed well in the Department	27
When changes are made in the Department they are usually for the better	23
The Department keeps me informed about matters that affect me	54
I have the opportunity to contribute my views before decisions are made that affect me	32
I think it is safe to challenge the way things are done in the Department	39

Organisational objectives and purpose

I have a clear understanding of the Department's purpose	84
I have a clear understanding of the Department's objectives	78
I understand how my work contributes to the Department's objectives	80

Civil Service overall

Department for Business, Innovation and Skills (excluding agencies)																	
Cabinet Office (excluding agencies)																	
Department for Communities and Local Government (excluding agencies)																	
Department for Culture, Media and Sport (excluding agencies)																	
Ministry of Defence (excluding agencies)																	
Department for Education																	
Department of Energy and Climate Change																	
Department for Environment, Food and Rural Affairs (excluding agencies)																	
Foreign and Commonwealth Office (excluding agencies)																	
Department of Health (excluding agencies)																	
HM Revenue & Customs																	
HM Treasury (excluding agencies)																	
Home Office (excluding agencies)																	
Department for International Development																	
Ministry of Justice (excluding agencies)																	
Department for Transport (excluding agencies)																	
Department for Work and Pensions (including Jobcentre Plus and Pension, Disability and Carers Service)																	
	38	33	27	38	23	55	47	38	58	39	12	56	43	60	38	42	25
	50	48	42	62	27	60	68	49	64	51	23	68	50	65	46	53	25
	40	38	28	43	28	49	52	37	60	42	19	52	43	56	40	39	23
	29	24	19	25	21	40	35	31	49	28	15	35	30	51	32	29	20
	33	33	23	33	20	46	49	32	52	37	11	51	39	50	34	32	17
	31	20	21	29	16	41	31	29	45	21	11	35	26	41	27	25	22
	18	15	13	12	12	23	25	20	37	14	9	32	21	30	24	15	15
	58	52	51	68	45	64	69	62	64	52	31	64	57	66	53	57	41
	28	32	29	48	22	34	34	34	43	29	16	54	34	44	31	36	19
	34	38	32	44	35	41	45	40	47	33	21	57	40	42	37	40	28
	75	70	63	71	83	79	89	77	82	74	65	85	82	94	76	68	76
	68	58	59	67	77	69	83	71	79	69	62	79	77	91	70	61	73
	76	67	67	70	81	73	84	77	83	74	65	77	79	90	73	69	75

Appendix Three

Cross-government NAO reports of relevance to the Department since 2008-09

Publication date	Report title	HC number
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276
06 June 2011	Managing risks in government	www.nao.org.uk/publications/1012/managing_risks_in_government.aspx
13 May 2011	Performance frameworks and board reporting II	www.nao.org.uk/publications/1012/performance_frameworks_and_boa.aspx
03 March 2011	Progress in improving financial management in government	HC 487
14 October 2010	Central government's use of consultants and interims	HC 488
19 July 2010	Progress with VFM savings and lessons for cost reduction programmes	HC 291
13 July 2010	Taking the measure of government performance	HC 284
21 October 2009	Measuring up: How good are the Government's data systems for monitoring performance against Public Service Agreements?	HC 465
16 October 2009	Government cash management	HC 546
31 July 2009	Performance frameworks and board reporting	www.nao.org.uk/publications/0809/performance_frameworks.aspx
26 March 2009	Innovation across central government	HC 12
27 February 2009	Helping Government learn	HC 129
05 February 2009	Assessment of the Capability Review programme	HC 123

Appendix Four

Other sources of information

Reports from the Committee of Public Accounts since 2008

Publication date	Report title	HC number
24 May 2011	Thirty-seventh Report of Session 2010–12, Departmental Business Planning	HC 650
23 December 2010	Thirteenth Report of Session 2010-11 The Department for International Development's bilateral support to primary education	HC 594
26 January 2010	Eighth Report of Session 2009-10 Department for International Development: Aid to Malawi	HC 262
30 April 2009	Eighteenth Report of Session 2008-09 Investing for Development: the Department for International Development's oversight of the CDC Group plc	HC 94
02 April 2009	Sixteenth Report of Session 2008-09 Department for International Development: Operating in insecure environments	HC 334
24 June 2008	Twenty-seventh Report of Session 2007-08 Department for International Development: providing budget support to developing countries	HC 395
10 January 2008	First Report of Session 2007-08 Department for International Development: Tackling rural poverty in developing countries	HC 172

Cabinet Office Capability Reviews

March 2009	Cabinet Office	Department for International Development: Progress and next steps
March 2008	Cabinet Office	Capability Review of the Department for International Development: One-year update

Peer Reviews

July 2010	Organisation for Economic Co-operation and Development: Development Assistance Committee	United Kingdom Peer Review
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Where to find out more

The National Audit Office website is
www.nao.org.uk

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