# NAO report: DFID Financial Management Report

## Description

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- Full report â?? DFID: Financial management report
- Executive summary (PDF â?? 73KB)

NAO Press Release **6 April 2011â?¦**

â??Sound financial management will be essential at the Department for International Development as its spending increases by a third over the next four years, according to the National Audit Office.

The Department has improved its core financial management and has an ambitious programme underway to improve its focus on value for money. It has put important building blocks in place; however its financial management is not yet mature.  The Department cannot yet assess important aspects of the value for money of the aid it has delivered, at an aggregated level.

The Departmentâ??s programme budget will grow by Â£3.3 billion from 2010-11 to 2014-15 (34 per cent in real terms). At the same time, its administration budget is going to reduce by a third. The Department will face significant financial and operational challenges, making sound financial management essential.

The Department has increased the number of finance professionals it employs, but this expertise needs to be used more effectively across the business. In addition, new financial information systems do not yet provide the data needed to support well-founded decisions and forecasts are still an area of weakness.

Having conducted a thorough review, the Department now has a high level plan allocating its resources on the basis of the results it aims to achieve.  Along with actions to strengthen measurement of aid projects, this has the potential to help strengthen the focus on aid results and value for money. But key risks need to be managed and the Department should now develop a coherent, single strategy for doing so.

With greater spending in higher risk locations and more fragile states, the Department must do more to assure itself that it minimises fraud and corruption risks. Although the level of reported fraud is low, it is likely to be under-reported. The NAO has found that the investigation of fraud is reactive and the Department does not attempt to quantify its estimated likely fraud losses.

Amyas Morse, head of the National Audit Office, said today:

â??The Department knows its increase in funding, and new approach to aiding developing countries, brings challenges. This report shows considerable progress is being made, but a better information environment is needed to deal with the heightened levels of assurance required in targeting future aid at higher risk locationsâ?•

**[RD comment]** The Executive Summary ends with a section titled: Conclusion on value for money, which says:

- We recognise that the Department has been improving its core financial management and has also been strengthening its focus on value for money at all levels of the organisation, including through a step change in its approach to the strategic allocation of resources based on expected results. Important building blocks have been put in place, but key gaps in financial management maturity remain. The changes the Department has introduced to-date are positive, and provide a platform to address the challenges that will come with its increased spending.
- At present, however, the Departmentâ??s financial management is not mature. The Departmentâ??s forecasting remains inaccurate and its risk management is not yet fully embedded. Weaknesses in the measurement of value for money at project level, variability in the quality and coverage of data, and lack of integration in core systems, mean that the Department cannot assess important aspects of value for money of the aid it has delivered, at an aggregated level. The Department now needs to develop a coherent single strategy to address the weaknesses identified and the key risks to meeting its objectives.

**Category**

1. Uncategorized

**Tags**

1. DFID
2. financial management
3. NAO
4. value for money

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