



National Audit Office

## **DEPARTMENTAL OVERVIEW**

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# **A summary of the NAO's work on the Foreign and Commonwealth Office 2011-12**

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**OCTOBER 2012**

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The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 860 staff.

The C&AG certifies the accounts of all government departments and many other public sector bodies.

He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy.

Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of more than £1 billion in 2011.



National Audit Office

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# Introduction

## **Aim and scope of this briefing**

The primary purpose of this report is to provide the Foreign Affairs Select Committee with a summary of the Foreign and Commonwealth Office's performance since September 2011 based primarily on the Department's Accounts and National Audit Office work. The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

# Part One

## About the Department

### The Department's responsibilities

**1** The Foreign and Commonwealth Office (the Department) is responsible for "leading the Government's international efforts to protect our national security, increase our prosperity, promote our fundamental values of freedom, human rights and democracy and support British nationals around the world".<sup>1</sup> Its foreign policy priorities, against which performance is measured, are to:

- **safeguard Britain's national security** by countering terrorism and weapons proliferation, and work to prevent and reduce conflict;
- **build Britain's prosperity** by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth; and
- **support British nationals around the world** through modern and efficient consular services.

### How the Department is organised

**2** The Department's core work is delivered through its global network of over 260 overseas posts,<sup>2</sup> its central policy-making functions in London and its Corporate Services functions in Milton Keynes. It employs approximately 13,200 staff.<sup>3</sup> Some 4,500 of these staff are UK based civil servants, who may be working in the UK or posted overseas. A further 8,700 staff are locally engaged overseas.<sup>4</sup>

**3** While most of the Department's resources are spent on its own activities, it also supports several arm's-length bodies and executive agencies, including:

- BBC World Service;<sup>5</sup>
- British Council;
- Great Britain China Centre;

- Marshall Aid Commemoration Commission;
- Westminster Foundation for Democracy; and
- Wilton Park Executive Agency.

**4** The Department has a trading fund – FCO Services – which designs and delivers secure services. The Department is also a joint 'parent department' of UK Trade and Investment (UKTI), along with the Department for Business, Innovation and Skills, and provides the majority of UKTI's staff overseas. UKTI works with UK-based businesses to help ensure their success in international markets, and encourages overseas companies to look to the UK as their global partner of choice.

**5** The relationship between the Department and its sponsored bodies is set out in **Figure 1** overleaf. The Comptroller and Auditor General is the external auditor of all these organisations except for the BBC World Service (BBCWS). In this report, we are reporting on the activities of the Department and exclude the sponsored bodies listed in paragraphs 3 and 4.

**6** The Secretary of State for Foreign and Commonwealth Affairs is supported by six ministers: three Ministers of State; a Minister of State for Trade and Investment (who is a joint minister with the Department for Business, Innovation and Skills); and two Parliamentary Under-Secretaries of State. The Management Board is chaired by the Permanent Under-Secretary and has eight other executive members: the Chief Operating Officer; Director Finance; Director Human Resources; three Directors General for Economic and Consular, Defence and Intelligence and Political; the Chief Executive, UK Trade and Investment; and a post representative, HM Ambassador, Buenos Aires. There are also two non-executive directors.

<sup>1</sup> Foreign and Commonwealth Office, *Annual Report and Accounts 2011-12*, p. 1.

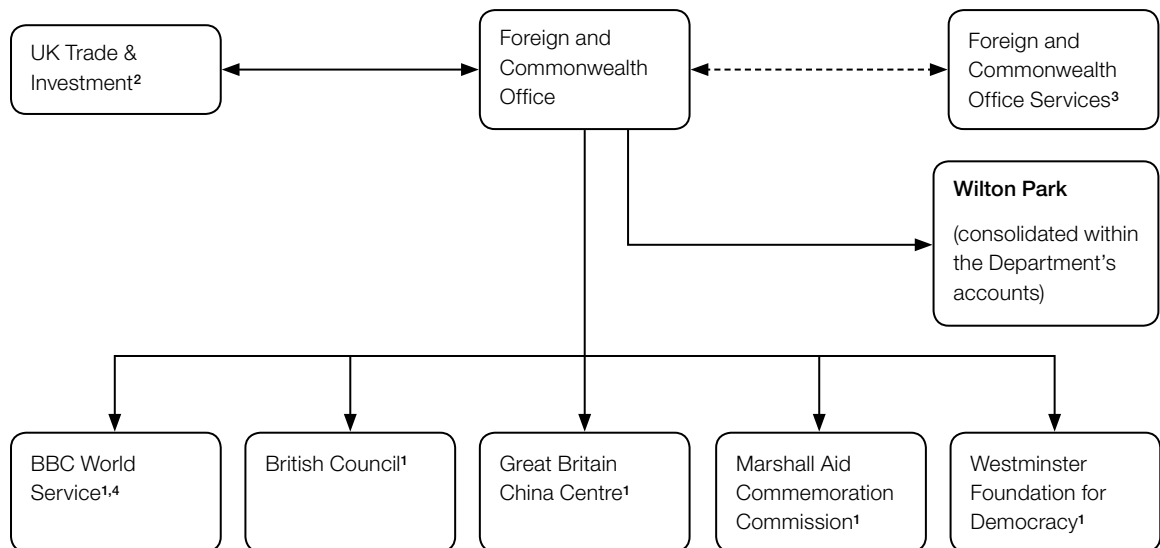
<sup>2</sup> Posts are locations where the Department has a presence such as an embassy, high commission, or consulate.

<sup>3</sup> Foreign and Commonwealth Office, 'About the FCO', January 2012 p. 27. Available at: [www.fco.gov.uk/resources/en/pdf/about-fco](http://www.fco.gov.uk/resources/en/pdf/about-fco)

<sup>4</sup> Foreign and Commonwealth Office, *Annual Report and Accounts 2011-12*, p. 28.

<sup>5</sup> Funding of the BBC World Service will transfer from the Department to the licence fee in 2014.

**Figure 1**  
The Department and its sponsored bodies



**NOTES**

- 1 Grant-in-aid bodies.
- 2 The Department is the joint parent department of UKTI, together with the Department for Business, Innovation and Skills.
- 3 Foreign and Commonwealth Office Services is a trading fund of the Department which delivers a combination of secure services to the Department, other government departments and other customers. The Department is an investor in Foreign and Commonwealth Office Services but does not provide an annual grant.
- 4 The National Audit Office is not the statutory auditor of the BBC but the BBC Trust commissions a series of value-for-money reviews each year after discussing its programme with the Comptroller and Auditor General. The reviews are undertaken by the National Audit Office or other external agencies, reporting to the Trust.

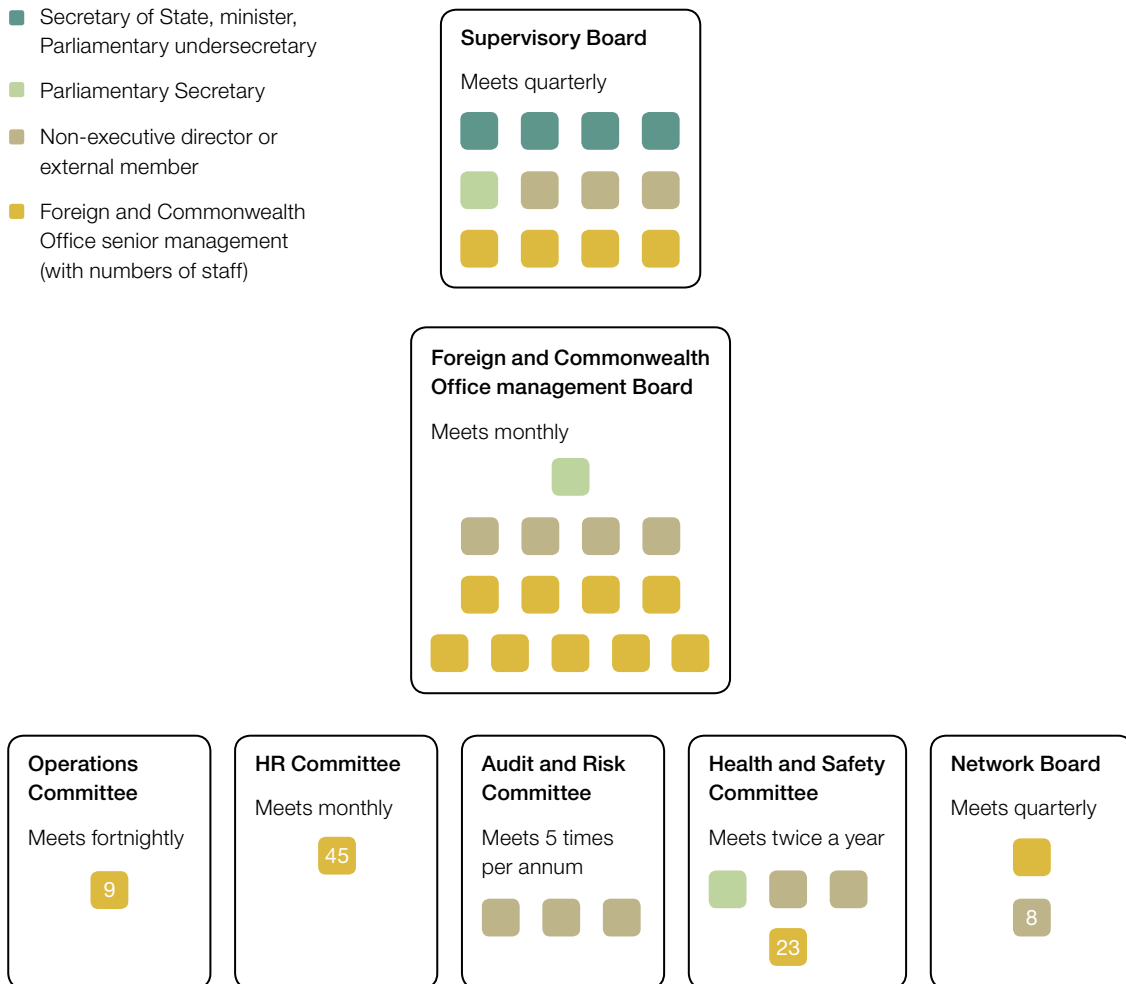
Source: National Audit Office

**7** In response to the corporate governance code for central government departments, in December 2011 the Department established the Supervisory Board, chaired by the Secretary of State. This Board meets quarterly and brings together ministers, officials and non-executives from outside government. Its purpose is to focus on advising on strategic and operational issues affecting the Department's performance and scrutinising and challenging departmental policies and performance. The new governance code also created the position of a lead non-executive board member, whose role is to ensure that the Secretary of State is aware of any concerns of the non-executive board members.

**8** In April 2011 the Board streamlined its subcommittee structure. The Estates, Finance and IT Committees were incorporated into a new fortnightly Operations Committee, which also oversees network changes and efficiency savings. A Network Board, chaired by the Chief Operating Officer, was established with the other government departments that operate overseas, to promote cooperation and a common understanding between departments on running the global network effectively and efficiently. The Board structure is shown in **Figure 2**.

**Figure 2**

## The Department's board structures



Source: *Foreign and Commonwealth Office, Annual Report and Accounts 2011-12*

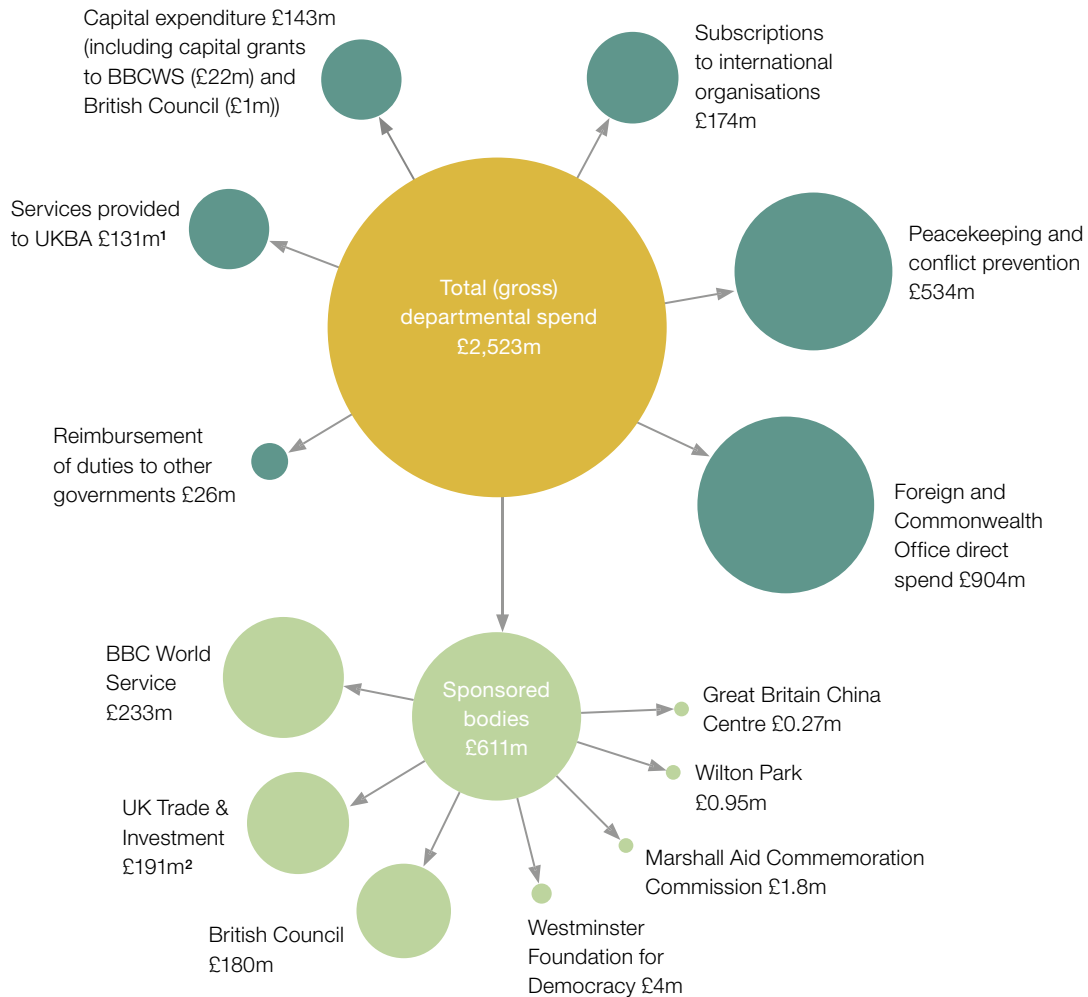
### Where the Department spends its money

**9** The core Department spent £2.5 billion in 2011-12 (**Figure 3** overleaf) and received income of £0.24 billion from charges to other government departments for using its premises overseas and other sources. The Department administered £0.9 billion of its annual spend directly on its own activities, for example on the operation and administration of embassies, and provided £0.6 billion to sponsored bodies.

**10** The Department works with various other government departments, including the UK Border Agency (UKBA), the Ministry of Defence (MOD) and the Department for International Development (DFID). It also works with international organisations, such as the United Nations and the European Union (EU). In 2011-12 the Department spent £534 million on peacekeeping and conflict prevention, through support for United Nations peacekeeping missions, and through Department projects funded from the Conflict Pool which is jointly managed by the FCO, DFID and MOD.

**Figure 3**

Where the Department spent its money in 2011-12

**NOTES**

- 1 The cost of the services provided to UKBA is recovered from UKBA.
- 2 The £191 million support to UKTI is the cost reported in the FCO Annual Accounts of FCO activity in support of UKTI. In addition UKTI received direct funding of £82 million and reported spending in its support of £48 million by the Department for Business, Innovation and Skills.

Sources: *Foreign and Commonwealth Office Annual Report and Accounts 2011-12*, *Great Britain China Centre Annual Report and Accounts 2011-12*, *Marshall Aid Commemoration Commission Annual Report and Accounts 2011-12*, *Wilton Park Annual Report and Accounts 2011-12*, *UK Trade and Investment Annual Report and Accounts 2011-12* and *Westminster Foundation for Democracy Annual Report and Accounts 2011-12*



**11** The Department's top five major projects, with a total value of £167 million, include: Echo – an IT project to deliver a new global network for data services, telephony and unclassified videoconferencing (£82 million); re-procurement of Firecrest, the successor to the Department's global desktop service (£10 million); an office refurbishment in Tel Aviv (£19 million); a new embassy in Jakarta (£29 million); and a new British High Commission Office in Abuja (£27 million).<sup>6</sup>

### Recent developments and current challenges

**12** The Department faced significant operational challenges during the year. There was continued unrest in the Middle East after the Arab Spring. The Euro crisis also demanded the Department's attention and in July the government launched its review of the EU's power to act in particular areas conferred on it by the EU Treaties (EU competences), how they are used, and what that means for the UK.

**13** In June 2012, the Department published a White Paper on the Overseas Territories which set out a new strategy for the UK's responsibilities.<sup>7</sup> There were renewed tensions with the Argentine government during the year about the sovereignty of the Falkland Islands. On the 30th anniversary of the Falklands the Islands' legislative assembly announced a referendum on the issue.

**14** As part of its objective to build prosperity, the Department has begun to shift the focus of its global network to expand its presence in emerging markets. In June it announced its intention to open a new embassy in Paraguay, as well as pledging additional resources elsewhere in Latin America and in India.

**15** The Department has placed a renewed focus on the development of ties within the Commonwealth. More than half the countries who receive aid from the UK form part of the Commonwealth and the Department is backing the recommendation for a 'Charter of the Commonwealth' that would set out in one place the core values to which members are committed.

**16** The London 2012 Olympics and Paralympics were a key focus of activity for the Department. The Prime Minister announced the launch of the GREAT campaign in September 2011, which was designed to use the event to showcase Britain's capabilities, to promote and enhance the UK's reputation abroad and to maximise the economic potential of the Games. The campaign supported the marketing and public diplomacy efforts of the FCO, UKTI, Visit Britain, the British Council, and other government departments overseas.

### Capability and leadership

**17** In 2006, the Cabinet Office launched a programme of 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. Departments are 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.<sup>8</sup> 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'.




**18** The non-executive member of the Department's Audit and Risk Committee conducted the Department's latest capability action plan which was published in December 2011. The findings are summarised in **Figure 4** overleaf.

<sup>6</sup> Foreign and Commonwealth Office, *Annual Report and Accounts 2011-12*, p. 43 and Foreign and Commonwealth Office, *Business Plan 2012-15* (May 2012), p. 12.




<sup>7</sup> Foreign and Commonwealth Office, *The Overseas Territories: Security, Success and Sustainability*, June 2012.

<sup>8</sup> Available at: [www.civilservice.gov.uk/about/improving/capability/model](http://www.civilservice.gov.uk/about/improving/capability/model)





**Figure 4**  
Results of capability action plan/self-assessment

<b>Leadership</b>	<b>Assessment</b>
Set direction	
Ignite passion, pace and drive	
Develop people	

**Narrative:** the Department has many impressive leaders and has a clear aspiration to develop and use to the full the diverse experience of its UK based and locally engaged staff. However, this is not reflected in staff planning, systems and processes.

<b>Strategy</b>	<b>Assessment</b>
Set strategy and focus on outcomes	
Base choices on evidence and customer insight	
Collaborate and build common purpose	

**Narrative:** the Department's strategic priorities are crisp, clear and visible across the organisation. They are driving a shift in resources. The challenge is to balance long-term priorities against shorter term pressures, and ensure that strategy and experience inform contingency planning and response to crisis. The Department has given insufficient priority to the building of culture, processes and systems to capture and make accessible the knowledge and information needed to support the work.

<b>Delivery</b>	<b>Assessment</b>
Innovate and improve delivery	
Plan, resource and prioritise	
Develop clear roles, responsibilities and delivery models	
Manage performance and value for money	

**Narrative:** the quality of management and financial information and the treatment of risk at the management board have improved substantially. Accountability for delivery is not always aligned with responsibility for resources, and decision support below board level is variable in quality and effectiveness.

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**Figure 4 continued****Results of capability action plan/self-assessment**

- Outstanding capability for future delivery in line with the model of capability.  
Clear approach to monitoring and sustaining future capability with supporting evidence and metrics.  
Evidence of learning and benchmarking against peers and other comparators which confirms progress towards world class.
- Has identified capability gaps, is already making improvements in capability for current and future delivery and is well placed to do so.  
Is expected to improve further in the short term through practical actions that are planned or already underway and has clear metrics to support progress.
- Has weaknesses in capability for current and future delivery and/or has not identified all weaknesses and has no clear mechanism for doing so.  
More action is required to close current capability gaps and deliver improvement over the medium term.
- Significant weaknesses in capability for current and future delivery that require urgent action.  
Not well placed to address weaknesses in the short or medium term and needs additional action and support to secure effective delivery.

*Source: Foreign and Commonwealth Office, Capability Action Plan 2011*

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**19** The Civil Service People Survey aims to provide consistent and robust metrics to help government understand the key drivers of engagement, so that it can build upon strengths and tackle weaknesses across the civil service. The survey of civil servants across all participating organisations includes a range of questions across nine themes which seek to measure their experiences at work. We present here the results of the third annual people survey for the Department undertaken between mid-September 2011 and mid-October 2011 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 5** overleaf). The results of 17 major departments are in Appendix Two. The Department has experienced declining scores in many areas since 2010 but the scores are consistently higher than the civil service average.

**20** 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 2011, the Department, excluding its agencies, achieved an engagement index of 66 per cent, two points lower than the 2010 survey recorded, but 10 percentage points above the 2011 civil service average. The response rate of staff was 89 per cent, compared to an average of 60 per cent across the civil service. Both UK employed civil servants and locally engaged staff working overseas responded to the survey.

**Figure 5**  
Civil Service People Survey: Foreign and Commonwealth Office

Theme	Theme score (% positive) <sup>1</sup>	Difference from 2010 survey	Difference from civil service average 2011 <sup>2</sup>
<b>Leadership and managing change</b>			
I feel that the Department as a whole is managed well	54	-4	+14
Senior management in the Department are sufficiently visible	56	-8	+10
I believe the actions of senior management are consistent with the Department's values	52	-8	+13
I believe the departmental board has a clear vision for the future of the Department	51	2	+12
Overall, I have confidence in the decisions made by the Department's senior management	47	-5	+11
I feel that change is managed well in the Department	40	-5	+13
When changes are made in the Department they are usually for the better	34	-7	+11
The Department keeps me informed about matters that affect me	60	-4	+5
I have the opportunity to contribute my views before decisions are made that affect me	39	-4	+3
I think it is safe to challenge the way things are done in the Department	43	-4	+5
<b>Organisational objectives and purpose</b>			
I have a clear understanding of the Department's purpose	82	0	-2
I have a clear understanding of the Department's objectives	79	0	0
I understand how my work contributes to the Department's objectives	83	0	+2

**NOTES**

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2011 benchmark is the median per cent positive across all organisations that participated in the 2011 Civil Service People Survey.

Source: *Foreign and Commonwealth Office People Survey Results, Autumn 2011*

## Part Two

### Financial management

**21** 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. Improvements in these areas of management will help public bodies to deliver cost-effective services as they make difficult financial decisions over the coming years.

**22** Departments are required to publish Governance Statements with their Annual Report and Accounts, which describe their arrangements for corporate governance, risk management, and oversight of locally delivered responsibilities. Governance Statements replace Statements on Internal Control which were published in previous years. They are designed to include additional discussion of how governance in the Department works, in line with the Corporate Governance Code.<sup>9</sup>

#### Financial out-turn for 2011-12 and comparison with budget

**23** For 2011-12, net total expenditure (excluding income) was £2.35 billion against the estimate of £2.40 billion, and there was an overall underspend of £52.6 million. The total underspend represents 2.2 per cent of the net total resources. This falls outside HM Treasury's target of 1 per cent but was lower than the 3.8 per cent underspend achieved in 2010-11.

**24** The majority of the underspend in 2011-12 was on spending within the Departmental Expenditure Limits (DEL) which came in £38.6 million (1.7 per cent) below the estimate. This was because of lower than planned expenditure on Programme and International Organisations' Grants, and Peace Keeping Grants. Annually Managed Expenditure (AME) was also below estimate by £13.9 million (18.6 per cent).<sup>10</sup> A significant element of costs scored against AME relate to impairments arising on revaluations and foreign exchange which are, by their nature, difficult to forecast and subject to fluctuating exchange rates.

**25** During the 2010 Spending Review, the Department and HM Treasury agreed that a greater proportion of costs classified as administration expenditure in the 2010-11 accounts could be classified as programme expenditure in the 2011-12 accounts. As a consequence, the estimate for administration costs was reduced. However, despite this reduction, there was still a significant difference between the administration costs out-turn of £167.8 million and the estimate of £247.9 million. The Department believes that this difference is because this was the first year that the revised methodology was applied to actual expenditure and therefore, the revised estimate was based on inaccurate forecasts.

**26** No excess votes were required in 2011-12 by the Department.

#### Progress on cost reduction

**27** Departments remain under pressure to reduce costs. The scale of cost reduction required means that departments need 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.

<sup>9</sup> Available at: [www.hm-treasury.gov.uk/psr\\_governance\\_corporate.htm](http://www.hm-treasury.gov.uk/psr_governance_corporate.htm)

<sup>10</sup> Annually Managed Expenditure is a budget category intended for expenditure and income that is not easy to predict and so not included in the Departmental Expenditure Limit, which is budgeted over three years.

**28** In our report *Cost reduction in central government: a summary of progress* published in February 2012, we examined the cost reductions achieved by 12 departments.<sup>11</sup> We found that departments successfully cut spending by £7.9 billion (2.3 per cent) in 2010-11 compared to 2009-10, but further cuts are needed in most departments over the next four years. We concluded that fundamental changes are needed in government to achieve sustainable reductions on the scale required – departments will achieve long-term value for money only if they identify and implement new ways of delivering their objectives, with a permanently lower cost base.

**29** As part of the 2010 Spending Review, the Foreign and Commonwealth Office group or 'family', comprising the Department, its agencies and arm's-length bodies, is required to reduce its headline costs by 24 per cent in real terms by 2014-15. This is a 10 per cent reduction in real terms because the BBCWS will be funded from the licence fee from 2014-15.

**30** The Department will need to continue to make significant cost reductions to achieve the targets in the 2010 Spending Review. To help it achieve those targets, the Department has put in place plans to deliver £100 million of administrative savings by 2014-15. These savings will come from simplifying procedures, by increasing the amount of overseas administrative work performed by locally recruited staff, making savings in both office and residential accommodation costs and reducing the number of junior staff posted overseas. In 2011-12, the Department reported that it delivered £24.9 million of savings in this way.

**31** Our value for money report *Spending reduction in the Foreign and Commonwealth Office* assessed the Department's performance in reducing spending in 2009-10.<sup>12</sup> We noted that the cuts made, although mainly in response to exchange rate pressures, provided an early experience of the challenges the Department faces in cutting expenditure by 10 per cent over the 2010 Spending Review period. We concluded that the Department rose to the challenge of bringing expenditure down quickly to within its budget, and in the circumstances its action was value for money.

**32** The Committee of Public Accounts' report on this subject<sup>13</sup> made a number of recommendations that are directly relevant to the Department's efforts to cut costs to meet the targets set out in the 2010 Spending Review. It recommended that the Department assess whether proposed spending cuts would lead to additional spending in the future and to take this into account when selecting areas to cut. The Department responded that it will monitor savings and evaluate their impacts through its Operations Committee and Network Board.<sup>14</sup> The Committee also noted that the Department found it difficult to measure the impact of its activities generally but recommended that the Department should develop clearer metrics to select financial cuts in a more rational way and concentrate efforts and resources where they are most valuable.

**33** The Committee also recommended that the Department needed to keep its finances flexible, through the use of contingency saving measures, to deal with any emerging global crises. The Department responded to these recommendations by providing details of work it was doing to improve its evaluation of the impact of its spending (and cuts in spending) and its overall performance. It also noted that it was working to reprioritise spending to meet future unforeseen costs from within its existing budget.

11 Comptroller and Auditor General, *Cabinet Office and HM Treasury, Cost reduction in central government: summary of progress*, Session 2010–2012, HC 1788, National Audit Office, February 2012.

12 Comptroller and Auditor General, *Foreign and Commonwealth Office, Spending reduction in the Foreign and Commonwealth Office*, Session 2010-11, HC 826, National Audit Office, March 2011.

13 HC Committee of Public Accounts, *Spending reduction in the Foreign and Commonwealth Office*, Forty-eighth Report of Session 2010–12, HC 1284, September 2011.

14 *Government responses on the Forty-eighth Report from the Committee of Public Accounts*, Session 2010–12, Cm 8244, December 2011.

## NAO reports on financial management and financial audit findings

**34** We have not reported specifically on the Department's overall financial management and efficiency during 2011-12. However, some of our work has touched on the Department's capabilities in this respect.

**35** We reviewed the Conflict Pool, which is jointly run by the FCO, the MOD, and the DFID, to fund discretionary activities that support conflict prevention, stabilisation and contribute to peacekeeping overseas.<sup>15</sup> Our review focused on governance arrangements; decision making and allocating resources; monitoring and evaluation; and how effectively the three departments work together.

**36** We found that the establishment of the Building Stability Overseas Strategy,<sup>16</sup> jointly owned by the three departments, had been a positive move in clarifying high-level objectives and that there was good practice in working collaboratively. However, efficient financial management and reporting was constrained by the different reporting systems of each department and a lack of efficiency incentives.

**37** Resource allocation and reallocation was overly bureaucratic and lengthy owing to the number of people needed to approve changes at each level. In addition, decisions made overseas often required sign-off from London-based programme managers for small changes. There was scope to improve the efficiency of this resource allocation process by streamlining and devolving responsibility down where capacity exists. In addition, we found that project bids lacked a focus on expected outcomes, but we were encouraged by some capacity building in this area.

**38** The Department's 2011-12 Accounts were certified by the Comptroller and Auditor General (C&AG) on 6 July with an unqualified audit opinion with no matters raised by exception or other findings.

## Issues raised in Governance Statements

**39** We work with the Department and its sponsored bodies to improve the quality and transparency of published Governance Statements. We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with HM Treasury guidance.

**40** The Department's governance structure has been strengthened since publication of the previous Annual Report in accordance with government policy, details of this strengthening include:

- The Estates, Finance and IT Committees are now incorporated in to a new fortnightly Operations Committee.
- Membership of the new Operations Committee is drawn from corporate and policy directors and heads of mission which aims to enable frontline views to be taken into consideration.
- The number of risk registers has been reduced from three to one and the quarterly risk exercise discontinued, but the frequency with which top-level risks are reviewed by the Board has increased.

<sup>15</sup> National Audit Office, *Review of the Conflict Pool* March 2012. Available at: [www.nao.org.uk/publications/1012/review\\_of\\_the\\_conflict\\_pool.aspx](http://www.nao.org.uk/publications/1012/review_of_the_conflict_pool.aspx)

<sup>16</sup> *Building Stability Overseas Strategy*, DFID, MOD and FCO, July 2011. Available at: [www.fco.gov.uk/resources/en/pdf/publications/annual-reports/bsos-july-11](http://www.fco.gov.uk/resources/en/pdf/publications/annual-reports/bsos-july-11)

**41** The *Accounting Officer's Governance Statement for 2011-12*, identified the following issues:<sup>17</sup>

- The physical security of staff working in fragile environments remained a concern. The Department developed a new framework to aid decision making to respond to security threats faced in these locations.
- The Department recorded 15 personal data incidents. It reported two incidents to the Information Commissioner's Office.
- Health and safety controls overseas continued to be a concern, although Internal Audit noted significant improvements on 2010-11.
- Internal Audit considered that the Department needed to improve project management at some posts. It noted that there had been a strengthening of the controls in place surrounding procurement and consular fee reconciliations.
- Internal Audit also reported a number of controls issues overseas regarding ICT, including the safeguarding of assets and business continuity. It also raised concerns over the administration system regarding satellite phones.



# Part Three

## Reported performance

**42** Government needs robust, timely information on its 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, 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.

**43** The Government aims to make more government information available to the public to help improve accountability and deliver economic benefits. Our study reviewing early progress of this transparency agenda<sup>18</sup> concluded that while the government has significantly increased the amount and type of public sector information released, it would not maximise the net benefits of transparency without an evaluative framework for measuring the success and value for money of its transparency initiatives.

### Reporting performance: annual reports and business plans

**44** Each government department reports its performance against the priorities and objectives set out in its business plan. A transparency section of the plan includes 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 three categories:

- input indicators: a subset of the data gathered by the Department on the resources used in delivering services;
- impact indicators: designed to help the public judge whether departmental policies are having the desired effect; and
- efficiency indicators: setting out the cost of common operational areas to allow the public to compare the Department's operations to other organisations.

**45** A structural reform section of the plan provides a detailed list of actions and milestones designed to show the steps the Department is taking to implement the government's reform agenda.

**46** The Department's indicators were mainly financial or operations based. There were far fewer results or context indicators. This uneven split was even more apparent on the Key Performance Report indicators where we found no results-based indicators and only one contextual-based indicator.

**47** Departmental progress against indicators is published regularly in a Quarterly Data Summary, a standardised tool for reporting selected performance metrics for each government department in a way that facilitates comparison across departments. As well as the indicators described above, the Quarterly Data Summary includes information on overall departmental budgets and workforce statistics, and a wider selection of indicators on common areas of spend such as estates, procurement and ICT. An annual version of this information has been formally laid in Parliament in departments' 2011-12 Annual Reports and Accounts.

**48** The Cabinet Office has reported that the accuracy of the data for all departments needs to dramatically improve<sup>19</sup> and that there may not be common definitions and data collection processes between departments. These caveats mean that data on common areas of spend cannot currently be used to compare performance between departments and may be of limited use to judge individual departmental performance in its own right. Recognising the need to improve use of information across government, the Cabinet Office set out in the Civil Service Reform Plan its intention for departments to provide "good, comparable, accurate and reliable" management information. In addition, improving the quality of data is one of the key priorities within the departmental Open Data Strategies, published in June 2012. The Cabinet Office expects that, 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.

<sup>18</sup> Comptroller and Auditor General, *Cross-government review, Implementing transparency*, Session 2010–2012, HC 1833, National Audit Office, April 2012.

<sup>19</sup> Available at: [www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary](http://www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary)

**49** In the latest Quarterly Data Summary in July 2012, the Department reported on 34 on-going actions, and noted that three actions were overdue – one of which for factors it considered outside of its control. The Department did not specify in the Quarterly Data Summary which actions are overdue. The Quarterly Data Summary also has six impact indicators and five input indicators. For six of the 11 indicators, the Department was still reporting data from April 2012 but specified that more recent data should be available at the next reporting period later in the year. The Department was not able to report on two indicators:

- **More effective, joined up international system to prevent conflict and build capacity in fragile states.** The initial concept for the indicator discussed with the University of Bradford did not work out and the Department was working with the Cabinet Office to develop a measurement methodology.
- **The total cost of delivering consular assistance to British Nationals and total costs for providing official documents.** The Department noted that figures will be available by December 2012.

### Performance reported by the Department

**50** The Department's business plan set out its priorities for 2012–15 under four key headings: security; prosperity; consular and policy, the latest version of which was published in May 2012.<sup>20</sup> The business plan set out the indicators which the Department considers were the most useful to the public in understanding the costs and outcomes of its activities. These included the unit costs of various activities, such as departmental expenditure on Official Development Assistance. The Department had also defined a number of impact indicators, which included the number of foreign direct investment projects attracted to the UK with UKTI involvement; a more effective, joined-up international system to prevent conflict and build capacity in fragile states; and better consular services, to British Nationals abroad, as indicated by customer satisfaction.

**51** The Department reported its performance against each of the indicators in its 2011-12 Annual Report and Accounts.<sup>21</sup> The Department also reported numerous results against three priorities under an over-arching aim headed 'policy'. Results included:

**Security:** Safeguard Britain's national security by countering terrorism and weapons proliferation and working to reduce conflict:

- Organised the London conference on Cyberspace in November 2011.
- Helped to secure increased international commitment to nuclear information security at the 2012 Nuclear Security Summit.

**Prosperity:** Build Britain's prosperity by increasing exports and investment, opening markets, ensuring access to resources and promoting sustainable global growth:

- In 2011, goods exported to India increased by 37 per cent, to Russia by 39 per cent and to Indonesia by 44 per cent.
- Creation of a £2 million Commercial Diplomacy fund to support projects that create opportunities for UK businesses overseas, inward investment or the promotion of the UK's economic and commercial reputation overseas.

**Consular:** Support British Nationals around the world through modern and efficient consular services:

- The consular service dealt with almost 280,000 face-to-face enquiries and helped in over 97,000 assistance cases including distressing situations such as deaths or murders overseas, forced marriages or child abduction.
- Improvements to crisis response systems include expanding the Rapid Deployment Team network, introducing London Crisis Response teams, designing a new Crisis Management Planning framework for overseas posts and upgrading the FCO's crisis centre in London.

<sup>20</sup> Foreign and Commonwealth Office, *Business Plan 2012-15*, May 2012. Available at: [www.fco.gov.uk/resources/en/pdf/publications/annual-reports/business-plan-12](http://www.fco.gov.uk/resources/en/pdf/publications/annual-reports/business-plan-12)

<sup>21</sup> Foreign and Commonwealth Office, *Annual Report and Accounts 2011-12*.

**Policy:** Pursue a distinctive and activist foreign policy using our global network to protect and promote UK interest worldwide:

- Eighty ministerial visits to the Gulf proved their value in developing a robust and credible international partnership over Libya.
- Being instrumental in securing strong UN Human Rights Council and General Assembly resolutions on Burma and the Democratic People's Republic of Korea.

### Testing the reliability of performance data across government

**52** We have begun a three-year programme to examine the data systems underpinning the departmental business plan indicators and other key management information. In July 2012 we published the results of our examination of a sample of departments' indicators and operational data systems used to report performance for the Department. This involved a detailed review of the processes and controls governing: the selection, collection, processing and analysis of data; the match between the Department's stated objectives and the indicators it has chosen; and the reporting of results.

**53** We reviewed 18 indicators: 11 Key Performance Report indicators and seven Common Areas of Spend indicators. We concluded that six of the indicators were fit for purpose, six were adequate but could be improved, five had weaknesses which the Department was in the process of addressing and one had weaknesses which the Department must address.

**54** Our work has established that the Department generally has a robust data set for the Key Performance Report indicators that we reviewed. The Department's staff were aware of the need for high-quality data to inform the indicators.

**55** We noted that for two of the indicators, Official Development Assistance spend and Savings Programmes achievements, the Department was refining the methodologies that inform them.

**56** The Key Performance Report indicators relating to spend were clear and well informed. We found that the Department's staff had a sound understanding of the need for high-quality data to assist the board's decision-making capabilities. The few recommendations we made in these areas relate to a general lack of desk instructions for the processing and analysis of data.

### The future of information management

**57** Departments released updated versions of their business plans in May 2012 which included changes to their priorities and indicators. The reporting of priorities has been considerably streamlined since the first version produced in May 2011. Priorities for both years are set out in **Figure 6** overleaf. The indicators have not changed, other than the addition of a new impact indicator that notes that the Department is working towards developing a system of metrics for its major reform programme called Diplomatic Excellence, to help assist progress towards its vision of being the best diplomatic service in the world by 2015. Departments have aligned their input and impact indicators with the government's priorities, so that the public can better understand how they are meant to be used for accountability. The changes are a step towards the alignment of costs and results which would allow for assessment of value for money, but they will not improve the data systems underlying published indicators, or the reliability of subsequent data.

### Issues identified in NAO reports

**58** As part of our cross-government work, we published a report on the use of the Government Procurement Card on 20 March 2012.<sup>22</sup> The Card was introduced in 1997 as a convenient and cost-effective way to make low-value purchases. It was made available to all public sector organisations, including central government departments, local authorities and NHS organisations. The objective of the NAO review was to carry out a focused assessment of the controls for Government Procurement Cards in central government to assess the implementation of policies; we examined five case study departments, one of which was the FCO which operates a number of card schemes in the UK and overseas.

<sup>22</sup> Comptroller and Auditor General, *Cabinet Office, The Government Procurement Card*, Session 2010–2012, HC 1828, National Audit Office, March 2012.

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**Figure 6**
**The Department's priorities in the 2011 and 2012 Business Plans**
**2011 Business Plan**

- Protect and promote the UK's national interests
- Contribute to the success of British efforts in Afghanistan
- Reform the machinery of government in foreign policy
- Pursue an activist British Policy in Europe
- Use 'soft power' to promote British values, advance development and prevent conflict
- Reduce the risk to the UK and UK interests overseas from international terrorism
- Support British Nationals around the world through modern and efficient consular services
- Control migration to secure UK borders and to promote the UK's prosperity
- Support conflict resolution in fragile states
- Lead effective international action on climate change.

**2012 Business Plan**

- **Security:** Safeguard Britain's national security by countering terrorism and weapons proliferation and working to reduce conflict
- **Prosperity:** Build Britain's prosperity by increasing exports and investment, opening markets, ensuring access to resources and promoting sustainable global growth
- **Consular:** Support British Nationals around the world through modern and efficient consular services.

*Source: Foreign and Commonwealth Office, Business Plan 2012-15*

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**59** Our report reviewed the findings of departments' internal audit teams. The FCO's internal audit team found a lack of guidance for Government Procurement Card approvers. Fifty-two per cent of the transactions reviewed had not been approved by a designated person as required by the policy and no punitive enforcement measures were in place to ensure compliance with the approval system. In response, the Department had put in place a new monthly review procedure to identify unapproved transactions, and to make sure that they are approved.

**60** We also found that in the Department, approval procedures and level of spot-checking was inconsistent, as was the use of management information at local level.

# Appendix One

## Foreign and Commonwealth Office sponsored bodies

Name	Other sponsoring bodies	Description	Funding received from the Department in 2011-12
Marshall Aid Commemoration Commission	None	This organisation aims to strengthen US–UK relations and to promote British influence in the United States by providing Marshall Scholarships to US citizens of high academic achievement.	£1.8m
Westminster Foundation for Democracy	Department for International Development also provides funding.	The aim of the organisation is to help establish and strengthen pluralist democratic institutions and political parties in countries where these are absent, or of recent foundation, or in need of further encouragement and development.	£4m
Great Britain China Centre	None	The organisation's main activity is the promotion of closer cultural, social, professional, economic, educational and other contacts between Britain and China and to encourage mutual knowledge and understanding.	£0.27m
Wilton Park	None	Wilton Park is a global forum which organises more than 50 events a year in the UK and overseas.	£0.95m
UK Trade and Investment	Department for Business, Innovation and Skills	UKTI has national responsibility for the provision of support and assistance to exporters and for promoting the UK to foreign investors.	£191m
British Council	None	The British Council is the United Kingdom's organisation for cultural relations and educational opportunities.	£180m
BBC World Service	None	An international broadcaster.	£233m

# Appendix Two

## Results of the Civil Service People Survey 2011

### Question scores (% strongly agree or agree, or % yes)

#### Leadership and managing change

I feel that the Department as a whole is managed well	40
Senior civil servants in the Department are sufficiently visible	46
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	39
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	55
I have the opportunity to contribute my views before decisions are made that affect me	36
I think it is safe to challenge the way things are done in the Department	38

#### 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	79
I understand how my work contributes to the Department's objectives	81

Source: Civil Service People Survey 2011, [www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service/people-survey-2011](http://www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service/people-survey-2011)

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																	
	31	38	23	37	20	49	41	31	54	33	18	55	44	60	43	45	23
	46	49	35	47	27	53	62	44	56	53	31	67	50	68	47	59	21
	34	40	24	39	27	46	48	34	52	41	25	52	44	57	42	46	21
	29	33	22	31	20	43	30	21	51	28	22	39	33	60	39	36	20
	28	38	21	32	17	43	43	27	47	33	17	53	41	53	38	42	16
	24	27	20	33	12	32	31	21	40	19	15	42	24	40	31	31	19
	17	22	10	20	9	21	26	16	34	12	13	33	22	29	26	21	14
	59	55	50	60	41	58	64	56	60	53	39	65	62	68	56	64	39
	32	37	28	47	19	37	36	38	39	37	18	47	38	47	36	39	18
	33	41	25	42	31	39	41	40	43	33	27	55	39	43	36	45	27
	77	73	57	73	80	85	90	75	82	69	73	88	85	94	78	79	73
	70	66	53	67	72	81	85	70	79	63	70	78	80	93	72	74	71
	75	71	61	73	76	82	88	76	83	72	73	81	82	90	76	76	73

# Appendix Three

## Publications by the NAO on the Department since 2009-10

Publication date	Report title	HC number	Parliamentary session
26 July 2012	Review of the data systems of the Foreign and Commonwealth Office	<a href="http://www.nao.org.uk/publications/1213/review_data_systems_for_fco.aspx">www.nao.org.uk/publications/1213/review_data_systems_for_fco.aspx</a>	
19 March 2012	Review of the Conflict Pool	<a href="http://www.nao.org.uk/publications/1012/review_of_the_conflict_pool.aspx">www.nao.org.uk/publications/1012/review_of_the_conflict_pool.aspx</a>	
5 October 2011	Departmental Overview: A summary of the NAO's work on the Foreign and Commonwealth Office 2010-11	<a href="http://www.nao.org.uk/publications/1012/departmental_overview_fco.aspx">www.nao.org.uk/publications/1012/departmental_overview_fco.aspx</a>	
29 March 2011	Spending Reduction in the Foreign and Commonwealth Office	HC 826	2010-11
29 November 2010	NAO Briefing for the Foreign Affairs Select Committee	<a href="http://www.nao.org.uk/publications/1011/foreign_affairs_committee.aspx">www.nao.org.uk/publications/1011/foreign_affairs_committee.aspx</a>	
30 June 2010	Short Guide to the NAO's work on the Foreign and Commonwealth Office	<a href="http://www.nao.org.uk/publications/1011/short_guide_fco.aspx">www.nao.org.uk/publications/1011/short_guide_fco.aspx</a>	
15 June 2010	Review of the data systems for Public Service Agreement 30	<a href="http://www.nao.org.uk/publications/1011/review_data_systems_for_psa_30.aspx">www.nao.org.uk/publications/1011/review_data_systems_for_psa_30.aspx</a>	
11 February 2010	Adapting the Foreign and Commonwealth Office's global estate to the modern world	HC 295	2009-10
3 June 2009	Financial Management in the Foreign and Commonwealth Office	HC 289	2008-09



# Appendix Four

## Cross-government NAO reports of relevance to the Foreign and Commonwealth Office since 2009-10

Publication date	Report title	HC number	Parliamentary session
20 March 2012	The Government Procurement Card	HC 1828	2010-2012
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276	2010-2012
26 May 2011	Option Appraisal: Making informed decisions in government	<a href="http://www.nao.org.uk/publications/1012/option_appraisal.aspx">www.nao.org.uk/publications/1012/option_appraisal.aspx</a>	
3 March 2011	Progress in improving financial management in government	HC 487	2010-11
17 February 2011	Information and Communications Technology in government. Landscape Review	HC 757	2010-11
14 October 2010	Central government's use of consultants and interims	HC 488	2010-11
20 July 2010	Progress with VFM savings and lessons for cost reduction programmes	HC 291	2010-11
14 July 2010	Taking the Measure of Government Performance	HC 284	2010-11
21 October 2009	Measuring Up: How good are the Government's data systems for monitoring performance against Public Service Agreements	HC 465	2008-09

# Appendix Five

## Other sources of relevant information

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### Reports from the Committee of Public Accounts since 2008

Publication date	Report title	HC number	Parliamentary session
1 June 2012	First Report – The Government Procurement Card	HC 128	2010–2012
30 September 2011	Forty-eighth Report of Session 2010–2012 Spending reduction in the Foreign and Commonwealth Office	HC 1284	2010–2012
24 May 2011	Thirty-seventh Report of Session 2010–2012 Departmental Business Planning	HC 650	2010–2012
1 April 2010	Twenty-fifth Report of Session 2009-10 Adapting the Foreign and Commonwealth Office's global estate to the modern world	HC 417	2009-10
17 December 2009	Third Report of Session 2009-10 Financial Management in the Foreign and Commonwealth Office	HC 164	2009-10

### Recent reports from central government

9 July 2012	Foreign and Commonwealth Office Annual Report and Accounts	HC 59	2011-12
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### Cabinet Office Capability Reviews

March 2012	Capability Action Plan		
March 2009	Foreign and Commonwealth Office: Progress and next steps on the Capability Review		
March 2008	Capability Reviews: One year update, Foreign and Commonwealth Office		
March 2007	Capability Review of the Foreign and Commonwealth Office		

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# Where to find out more

The National Audit Office website is  
[www.nao.org.uk](http://www.nao.org.uk)

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