



National Audit Office

## **DEPARTMENTAL OVERVIEW**

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# **A summary of the NAO's work on the Ministry of Defence 2010-11**

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**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 defence select committee with a summary of the work by the National Audit Office on the Ministry of Defence (the Department) 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 2010-2011 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.

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.

# Part One

## About the Department

### The Department's responsibilities

**1** The Ministry of Defence is both a Department of State and a military headquarters, responsible for providing the military capability necessary to deliver the Government's objectives and defining future military requirements. The principal activity of the Department is to deliver security for the people of the United Kingdom and the Overseas Territories by defending them, including against terrorism, and to act as a force for good by strengthening international peace and stability. The Department's priorities as stated in the MOD's Business Plan 2011-15 published in November 2010, are as follows:

- to succeed in Afghanistan;
- to continue to fulfil its standing commitments;
- to succeed in other operations it is required to undertake;
- to promote defence exports consistent with export control criteria;
- to implement the Strategic Defence and Security Review (SDSR);
- to deliver the Defence Reform Unit's review; and
- to deliver Defence in the most effective, efficient and sustainable way.

### How the Department is organised

**2** The Department consists of the three Armed Services, civilian staff, and various support and infrastructure functions. Activity to deliver defence outputs is managed through seven principal bodies, known as Top Level Budgets, four Trading Funds, and five Agencies (see **Figure 1** overleaf).<sup>1</sup>

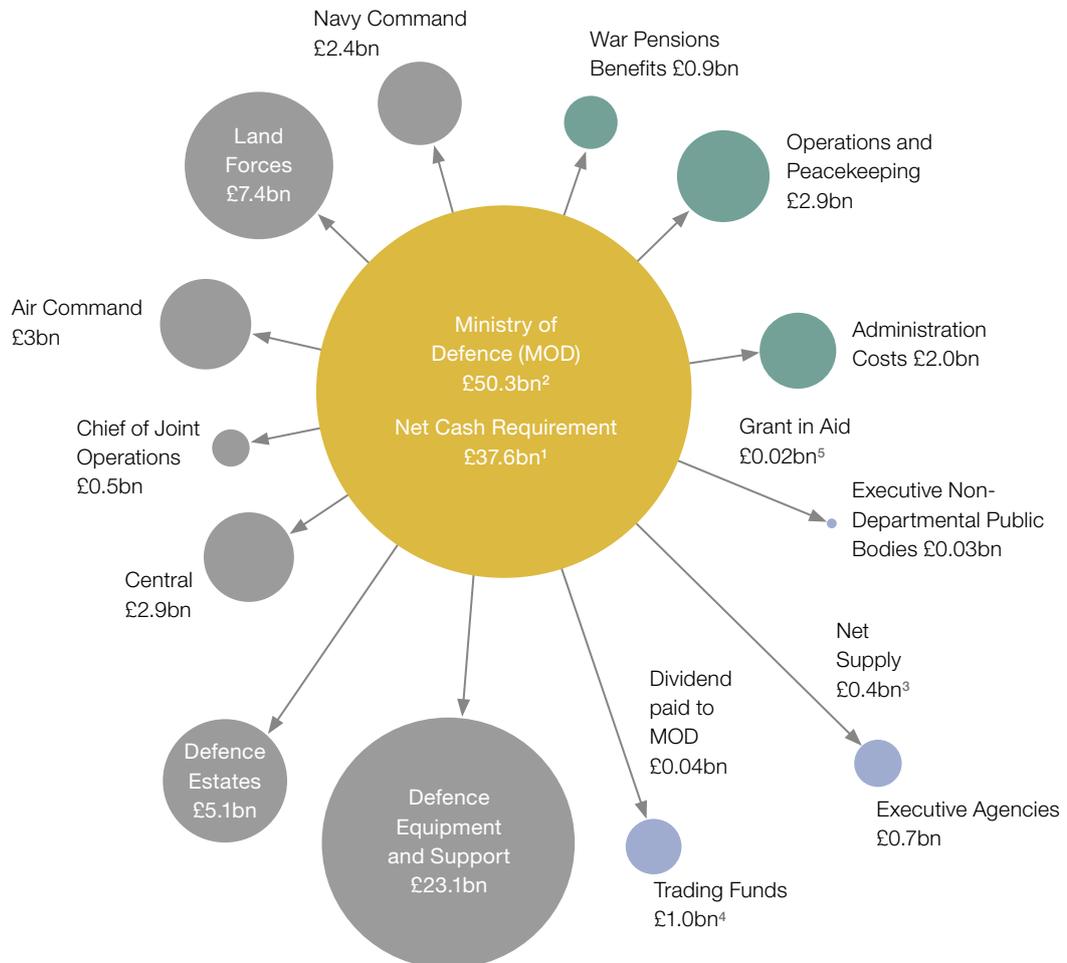
**3** The Department is headed by the Permanent Under Secretary (the most senior civilian in the Department) and the Chief of the Defence Staff (the professional head of the Armed Forces). They are supported by a number of officials, including:

Civilian	Military
Second Permanent Under Secretary (responsible for running Defence business with the Vice Chief of Defence Staff)	Vice Chief of the Defence Staff (responsible for running Defence business with the Second Permanent Under Secretary)
Chief of Defence Materiel (the head of Defence Equipment and Support)	First Sea Lord and Chief of Naval Staff (Professional head of the Royal Navy)
Chief Scientific Adviser	Chief of the General Staff (Professional head of the British Army)
Director General Finance	Chief of the Air Staff (Professional head of the Royal Air Force)

**4** The Defence Board is the main corporate board and the highest committee in the Department. Chaired by the Secretary of State, the Defence Board is responsible for the full range of Defence business, other than the conduct of operations. Current membership of the Defence Board is: the Secretary of State; the Armed Forces Minister; Permanent Secretary; Chief of the Defence Staff; Chief of Defence Materiel; Director General Finance; and two non-executive Board members.

<sup>1</sup> Following the year-end, there were three Trading Funds and three Agencies: in July, administrative responsibility for the Met Office transferred to the Department for Business, Innovation and Skills; and the Defence Business Services group took over the work of the People, Pay and Pensions Agency (July), and the Defence Vetting Agency (October).

**Figure 1**  
Ministry of Defence 2010-11, Gross Outturn Values



#### NOTES

- 1 Net Cash Requirement is the net amount of cash drawn down by the Department from the Consolidated Fund. This is lower than the Department's Gross Outturn as it is subject to adjustment for non-cash expenditure (e.g. depreciation of assets) and Appropriations-in-Aid generated by the Department.
- 2 Included in this figure are grants which the Department pays to other bodies which fall outside the Departmental boundary. These include the Council of Reserve Forces and Cadets Associations; the Commonwealth War Graves Commission; the Royal Hospital Chelsea; the Marine Society and Sea Cadets; and the Gurkha Welfare Scheme.
- 3 Executive Agencies are funded by Supply via the Department. MOD Police & Guarding Agency, Service Personnel & Veterans Agency, People, Pay & Pensions Agency and Defence Vetting Agency are funded via through the Central TLB. Service Children's Education is funded through the Land Forces TLB.
- 4 Trading Funds fall outside of the Departmental boundary and generate their own income. No funding is provided by the Department. However, the Department holds Public Dividend Capital (PDC) in the Trading Funds, and the Trading Funds pay a return to the Department in the form of a dividend.
- 5 The Department pays grant-in-aid to three Executive Non-Departmental Bodies (NDPBs). These are the National Army Museum, the RAF Museum and the National Museum of the Royal Navy. In addition to the grant-in-aid received by the Department, the NDPBs generate their own income. Also included within the Departmental Boundary are 12 advisory NDPBs which are sponsored by the Department.
- 6 The Department also makes payments to the Oil and Pipelines Agency and the Navy Army Air Force Institutes (NAAFI) for provision of services.
- 7 Since 1 April 2011, the Department has undergone structural changes under the impact of the SDSR. These are outlined in the section on Recent developments.

Source: Ministry of Defence Annual Report and Accounts

## Where the Department spends its money

**5** In 2010-11, the Department's net resource outturn was £48.8 billion, compared to £41 billion in 2009-10. The increase resulted from the decisions made to cancel procurement programmes and scrap some equipment earlier than originally planned, as part of the Strategic Defence and Security Review (SDSR). The Gross operating costs were £50.3 billion (see Figure 1). The most significant areas of spend during 2010-11 were:

- **Staff:** In 2010-11, the Department employed around 195,000 Service personnel and a further 75,000 civilian staff (excluding Trading Funds). The costs of these personnel were £9.9 billion and £2.9 billion respectively. Under the 2010 SDSR, Service personnel are expected to reduce by 17,000 and civilian personnel by 25,000 (including Trading Funds). In July 2011, it was announced that between 2015 and 2020, there would be further reductions of 7,000 civilians, and that Army personnel would number 120,000 personnel, with a ratio of 70:30 in terms of regular forces to reserve forces. This means that the number of regular forces is expected to be 84,000 – a reduction of 10,000 from the position in the 2010 SDSR.
- **Major Operations:** Currently, the Department's most significant activity is the support of military operations in Afghanistan, and more recently in Libya. During 2010-11, the Department spent £3.77 billion on the net additional costs of operations in Afghanistan, and an additional £22m in support of the Libya operation.
- **Equipment acquisition:** In 2010-11, the cost of the Department's equipment acquisition activity was approximately £8.5 billion. This included £1.1 billion of Urgent Operational Requirements (UOR), which relates to equipment procured urgently for a specific military operation, and paid for out of the Treasury Reserve, rather than from the Defence budget.
- **Pensions:** The Department also administers and contributes to the Armed Forces Pension Scheme, which paid £3.5 billion, including lump sums on retirement, to around 400,000 retired veterans in 2010-11. In 2010-11, the Department's contribution was £1.9 billion, with HM Treasury funding the remainder.

## Recent developments

Over-commitment in the Department's budget

**6** In our report on the Major Projects Report 2009, we found that the Department had a future funding gap of between £6 billion and £36 billion in its equipment programme. In March 2011, the House of Commons Defence Committee explored this issue further, noting that the NAO estimate does not reflect the fact that the Department will now meet the full cost of paying for the successor nuclear deterrent programme (some £8 billion), nor does it reflect the judgement by the new Chief of Defence Materiel, Bernard Gray, that a further £5.5 billion should be added to the overall cost of the equipment programme.<sup>2</sup> However, the Secretary of State stated on 18 July 2011, that the package of further efficiencies and adjustment to the future equipment programme would ensure that the Department brings its plans and budget broadly into balance.

## Defence Transformation Agenda

**7** The Department has established a broad transformation agenda which is implementing the SDSR, seeking to address the funding gap and includes the defence reform agenda stimulated by the Levene Review. Transformation covers over 70 workstrands, from rebasing the Army from Germany to the Whole Force Concept. The Department wants to change the way in which it does its work, to be more effective with fewer people. It aims to implement the defence reforms by 2013. The Department will set out all the major changes that it is engaged in later in 2011. Key elements included in the Transformation Agenda are outlined below.

## **8 Follow-on to the Strategic Defence and Security Review (SDSR) 2010:**

An exercise was undertaken to review the implications and implementation of decisions on Future Force 2020. As announced on 18 July, the exercise resulted in an increase in the planned MoD equipment budget of over £3 billion for the spending review period after 2015, although there were also further headcount reductions announced, comprising 7,000 civilian and 10,000 Army personnel, in addition to the headcount reductions of 25,000 civilian personnel and 17,000 Service personnel announced under the SDSR.

**9 Lord Levene's Defence Reform Report:** The Defence Reform Unit, led by Lord Levene, published a report in June 2011 on the structure and management of the MoD, which made 53 recommendations – all of which have been accepted by the Secretary of State. The main recommendations are set out below:

- A smaller Defence Board, chaired by the Secretary of State, with only the Chief of Defence Staff representing the three Services. This has already been implemented.
- The creation and appointment of a new Joint Forces Command led by an Officer of equivalent seniority to the Single Service Chiefs.
- Streamlining internal decision-making process to reduce the number of boards and senior posts, enabling greater accountability and responsibility.
- Single Service Chiefs are to focus on running their Service and given greater control – particularly over their budget – but will be held to account if they fail to keep within their budget.
- Increasing the number of years for which senior military and civilian personnel will be required to serve in a post, to improve continuity.
- Clarifying the responsibilities of senior leaders – including the Permanent Secretary and Chief of Defence Staff – and streamlining Head Office to make it more focused and strategic.

**10 Future Reserves 2020:** An independent commission, set up by the Prime Minister following the SDSR, concluded in July 2011 that the UK Reserve Forces form too small a part of the overall national military capability, which reduced the potential for a more cost-effective manpower balance across the armed forces. The report's key recommendations were that there should be:

- immediate spending to stabilise and improve the state of the Reserve forces;
- an increase in the reserve element of the Armed Forces, leading to a 70:30 ratio of Regulars to Reserves;

- greater integration of the Reservist element within the overall Force Structure, and that the roles of the Reservists must consequently expand to include stabilisation, cyber warfare, civil contingency and wider regeneration; and
- that Reservists must no longer simply be used as individual specialists and augmentees, but as formed units and sub-units.

**11** The report accepted that this would require a Reserve force with guaranteed quality and availability, which presents a considerable challenge.

**12 Collocation programme (2007–2013):**

whereby the various branches of Defence Equipment & Support and the Bath-based Central Top Level Budget team are in the process of moving to Abbey Wood in Bristol, at the same time as slimming down the DE&S from 26,000 to 20,000 staff; all with the aim of saving £1 billion over 25 years.

**13 Streamlining programme (2007–2010):**

in late 2007, the Department announced that it was planning to streamline Head Office, with the loss of 1,000 civilian jobs. This initiative is being superseded by the changes to Head Office structure arising from the recommendations in the Levene Report.

**14 House of Commons Defence Committee Report:**

In January 2011, the House of Commons Defence Committee announced its inquiry into the SDSR as a means to realise the objectives of the National Security Strategy. The resulting report<sup>3</sup> was published in August 2011 and set out the Committee's detailed findings and conclusions regarding the recent developments outlined above. It set out some major concerns of the Committee regarding the capability decisions made in the SDSR and identified the biggest challenge arising from the SDSR as the realisation of Future Force 2020. Notably, the Committee concluded that it was essential that the Department has more certainty in its long-term planning and recommended the introduction of ten-year budgeting, supported by reform and substantially improved transparency and control over the Department's finance and budgetary practices.

3 House of Commons Defence Committee, *The Strategic Defence and Security Review and the National Security Strategy*, Sixth Session Report of 2010-12, Volume 1, HC 76, August 2011.

## Capability and leadership

**15** 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. 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.<sup>4</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'.

**16** 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.

**17** 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 Ministry of Defence covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 2** overleaf). The results of 17 major departments are in Appendix Two.

**18** 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 (excluding agencies) achieved an engagement index of 58 per cent, one percentage point lower than in 2009 and two percentage points above the 2010 Civil Service average.

## Armed Forces Continuous Attitude Survey (AFCAS) 2010 Report

**19** In addition to the standard questions asked of civil servants, the Department collects information – via the Armed Forces Continuous Attitude Survey (AFCAS) Report, last published in March 2011<sup>5</sup> – on an annual basis about Service personnel's attitudes on key aspects of service life, such as satisfaction and morale, commitment, demands on the individual, remuneration, and Service living accommodation. The Department states that it uses the information from the survey to focus attention where it is most needed to make further improvements in the future. Some of the key findings were:

- Individual morale: 52 per cent rated as high (3 per cent increase on 2009) – the first time over 50 per cent of personnel rated as high.
- 85 per cent were proud to be in the Service (unchanged from 2009).
- Only 38 per cent reported feeling valued, a lower proportion than 2009.
- 60 per cent were satisfied with their job in general (unchanged from 2009).
- Just over half surveyed (52-56 per cent) were satisfied with the level of basic pay, pensions and allowances, while 34 per cent were satisfied with specialist pay; only 26 per cent felt that the X-Factor (i.e. the special nature and type of activity involved in being a member of the Armed Forces) was sufficient compensation.
- There were low satisfaction levels with the standard (40 per cent) and amount (38 per cent) of major equipment, although these figures represented a 5 per cent increase on 2009.
- 68 per cent were satisfied with the frequency of, and 83 per cent were satisfied with the length of, operational deployments.

<sup>4</sup> More information about Capability Reviews is available at: [www.civilservice.gov.uk/about/improving/capability/index.aspx](http://www.civilservice.gov.uk/about/improving/capability/index.aspx)

<sup>5</sup> <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/ConsultationsandCommunications/Surveys/CAS/ResultsForArmedForcesContinuousAttitudeSurveyafcas.htm>

**Figure 2**  
2010 Civil Service People Survey: Ministry of Defence (excluding agencies)

Theme	Theme score (% positive) <sup>1</sup>	Difference from 2009 survey	Difference from Civil Service 2010 <sup>2</sup>
<b>Leadership and managing change</b>			
I feel that the Department as a whole is managed well	23	-3	-18
Senior Civil Servants in the Department are sufficiently visible	27	2	-18
I believe the actions of Senior Civil Servants are consistent with the Department's values	28	0	-11
I believe the Departmental Board has a clear vision for the future of the Department	21	-2	-14
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	20	-1	-16
I feel that change is managed well in the Department	16	-1	-11
When changes are made in the Department they are usually for the better	12	-2	-11
The Department keeps me informed about matters that affect me	45	2	-9
I have the opportunity to contribute my views before decisions are made that affect me	22	-1	-10
I think it is safe to challenge the way things are done in the Department	35	0	-4
<b>Organisational objectives and purpose</b>			
I have a clear understanding of the Department's purpose	83	2	-1
I have a clear understanding of the Department's objectives	77	2	-1
I understand how my work contributes to the Department's objectives	81	2	1

**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.
- 3 This table lists those sections of the survey results relevant to Capability and Leadership. The survey covers a range of areas – some where the Department scored above the Civil Service average, and some where it was below the average.

Source: Ministry of Defence People Survey Results, Autumn 2010

# Part Two

## Financial management

**20** 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 Control<sup>6</sup> 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

	Outturn (£m)	Budget (£m)	Saving/ (Excess) (£m)
<b>Gross outturn (as per Figure 1)</b>	<b>50,274</b>	<b>58,322</b>	<b>8,048 (13.8%)</b>
Appropriations- in-Aid	1,453	1,530	77
<b>Net outturn for Total Resources</b>	<b>48,821</b>	<b>56,792</b>	<b>7,971 (14.0%)</b>

**21** In 2010-11, the Department spent £48,821 million – an underspend of £7,971 million against its estimate of £56,792 million. Of this underspend, £7,539 million (95 per cent) was due to an increase in the Department's voted expenditure limit of £18 billion, which was approved in the Spring Supplementary Estimate. This increase was granted to ensure that the Department did not breach its limit as a consequence of implementing the decisions of the Strategic Defence and Security Review (SDSR). However, the substantial levels of underspend occurred because

expected disposals and scrapping of inventory, equipment and other non-current assets did not materialise during 2010-11, and other costs were markedly lower than anticipated:

- Just £800 million of an expected £3,200 million was written off following withdrawal of equipment in the accounts for the Nimrod MRA4, Harrier and Tornado aircraft.
- £840 million relating to expected movements in indexation and foreign exchange derivatives, which did not materialise.
- £400 million relating to vehicles which were not written off until after the end of 2010-11.
- £2,591 million for expected write-off of assets and assets under construction, and the provision for the future costs of staff reductions, none of which were carried out in 2010-11.
- £265 million in respect of the write-off of four Type 22 frigates, HMS Ark Royal, Royal Fleet Auxiliaries Fort George and Largs Bay, and Harrier and Nimrod MRA4 aircraft due to actual costs being lower than expected.

### Progress on VFM savings targets

**22** Departments are under increasing pressure to reduce costs. The scale of cost reduction required means that they will have 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 longer term. Our **Short Guide to Structured Cost Reduction**<sup>7</sup> sets out the high level principles that we 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.

<sup>6</sup> From 2011-12, Departments will produce a Governance Statement rather than a Statement on Internal Control.

<sup>7</sup> [http://www.nao.org.uk/publications/1011/structured\\_cost\\_reduction.aspx](http://www.nao.org.uk/publications/1011/structured_cost_reduction.aspx)

**23** We have published detailed information and guidance on a number of the principles underpinning effective structured cost reductions, including **Managing risks in government**,<sup>8</sup> **Progress in improving financial management in government**,<sup>9</sup> and **Taking the measure of government performance**.<sup>10</sup>

**24** In 2007, the Department was set a savings target of £3.15 billion to be achieved by the end of 2010-11. As at 31 March 2010, the Department reported savings of £1.8 billion (57 per cent of the target). In November 2010, before the end of the process, the Coalition Government announced that departments no longer needed to report progress against these targets, which were replaced by the Government's new approach to efficiency and reform across the public sector.

**25** The Government's deficit reduction programme resulted in a CSR 2010 Settlement of a reduction in the Defence budget of 7.5 per cent over the next four years. In 2009, the NAO estimated that the Department also had a future funding gap of between £6 billion and £36 billion. To meet these challenges, the Department is undertaking a series of cuts: headcount reductions of 17,000 Service and 25,000 Civilian personnel; the scrapping of equipment ahead of planned obsolescence dates (notably the HMS Ark Royal, and Harrier); and the cancellation or adjustment of equipment programmes (including cancellation of Nimrod MRA4, and the further delay and adjustment to Carrier Strike).

**26** Following further consideration, as part of a three-month exercise, of the Department's budget and the impact of the SDSR decisions, it was announced in July 2011 that a further 7,000 civilian and 10,000 Army personnel would be cut between 2015 and 2020.

### NAO reports on financial management and efficiency

**27** During the last year, our reports have identified a number of areas where financial management and efficiency could be improved across the Department.

**28 The mismatch between planned expenditure and the forecast Defence budget:** Our report last year on the **Strategic Financial Management of the Defence Budget (July 2010)** highlighted the cycle of over-committed plans, short-term cuts and re-profiling of expenditure which results in poor value for money for the taxpayer on the projects affected and reduction in the funds available to support front-line activities. Our report on **Carrier Strike (July 2011)** reported that the project was at risk of further changes in strategic direction given that affordability of the equipment plan envisaged by the SDSR depends on a real terms increase in defence funding in the latter half of this decade.

**29 Our Major Projects Report 2010 (MPR 2010)** found that the in-year cost increase on procurement projects of £3.3 billion was largely the result of decisions taken in response to a mismatch between planned expenditure and forecast budget. The report highlights three types of decision, which all reduced costs in the short term, making it easier for the Department to manage its budget in-year, but also reduced long-term value for money overall across the Defence budget:

- **Not including realistic budgetary provision to reflect likely project outcomes.** The costs of the first two tranches of Typhoon combat aircraft were higher than expected leaving insufficient budget to procure all Tranche 3 aircraft.
- **Slowing down of projects whereby money is taken out of earlier years, often resulting in an overall cost increase and delay in delivering capability.** For example, in December 2008, the Department decided to slow down the production of the two Queen Elizabeth Class aircraft carriers. As a result of this deferral and other factors, the total increase in costs will be £1.56 billion. Our report **Cost-effective Delivery of an Armoured Vehicle Capability (May 2011)** found that the Department's repeated need to find significant savings in areas of the Defence budget with lower levels of contractual commitment such as armoured vehicles led to a number of projects

8 National Audit Office, *Managing risks in government*, June 2011 [http://www.nao.org.uk/publications/1012/managing\\_risks\\_in\\_government.aspx](http://www.nao.org.uk/publications/1012/managing_risks_in_government.aspx)

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

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

being delayed, suspended or cancelled, resulting in a significant gap until 2025 at the earliest between the armoured vehicles the Department says it needs now, and those it will have.

- **Reducing the number of items to be procured.** Defence projects tend to include significant development costs and the effect of reducing numbers is to increase unit costs. The number of Nimrod MRA4 aircraft to be procured was progressively reduced from 21 to 9, contributing to the unit cost becoming three times the figure expected when the investment decision was made. The project has now been cancelled.

### NAO financial audit findings

**30** The Comptroller and Auditor General (C&AG) qualified his opinion on the 2010-11 Departmental Resource Accounts due to material error arising from adopting accounting policies which did not fully comply with the required auditing standards, and limited the scope of his opinion due to weaknesses in the accounting for non-current assets. Significant issues arising from the 2010-11 audit included:

#### **31 Accounting for lease-type arrangements:**

For the second successive year, the Department did not comply with the accounting requirements<sup>11</sup> for determining whether a contract contains a lease and therefore omitted a material value of assets and liabilities from its Statement of Financial Position.

**32 Non-current assets and inventory:** The C&AG limited the scope of his audit opinion in relation to certain non-current and inventory assets recorded in the Statement of Financial Position, due to the Department being unable to present adequate documentation to support the accounting treatment for Bowman radios (£0.1 billion), the lack of evidence for certain inventory and capital spares (£5.2 billion), and the valuation of a further unquantifiable amount of inventory and capital spares.

- Bowman is a tactical communications system, for which the Department uses different tracking systems at different locations, and thus has to rely on manual processes and inputs. Although there has been some improvement, the Department was unable to supply appropriate evidence to support the existence of 4,093 out of 50,893 radios, representing £125 million of inventory during 2010-11.
- Following reports from the C&AG in previous years, the Department's Materiel and Financial Accounting Project Board and Joint Supply Chain Services agreed a strategy to address inventory control weaknesses. Until progress has been made on the implementation of new inventory systems, a number of significant issues relating to stock control remain:
  - Discrepancies between inventory counts and warehouse management records: A significant level of inventory (7 per cent) was not recorded on the warehouse system, and therefore not in the accounts. In addition, our audit found that there are significant levels of inventory held at depots that are unlikely to be used, and for which the Department had not made a sufficient estimate of impairment. This resulted in a limitation of scope over the valuation of £5.2 billion of inventory and capital spares.
  - Inability to fully reconcile warehouse system records with accounting systems: The Department remains unable to perform full reconciliations between the financial accounting and warehouse systems, although some progress has been made. The Department continues to run a large number of legacy warehousing systems which are difficult to integrate due to age and incompatibility. These reconciliation deficiencies represented a significant limitation in the evidence available.

<sup>11</sup> International Financial Reporting Issues Committee (IFRIC) Interpretation 4: *Determining whether an arrangement contains a lease*; and International Accounting Standard (IAS) 17: *Leases*.

### Progress on previous areas of qualification

**33** In 2009-10, the C&AG limited the scope of his opinion in respect of: Grouped military equipment assets, Income from accommodation and food charges to service personnel, and Approved maximum military headcount (Votes A). Through improvements implemented by the Department, as well as close liaison with the NAO, the Department was able to provide sufficient appropriate audit evidence to support the numbers in respect of these account areas and, as such, the limitations to the scope of the C&AG's audit opinion were removed.

### Issues raised in Statements on Internal Control

**34** We work with the Department and its sponsored bodies to improve their published Statements on Internal Control (SIC). We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with Treasury guidance.

**35** The Department's tolerance of risk varies, depending on the nature of the activity. For example, military operations generally have more inherent risk than other types of activity. The level of operational risk that Ministers agree to accept is based on advice from senior military and civilian officials. On the non-operational side, the Defence Board now receives regular Security, Business Continuity and Health & Safety reports. This year saw a rise in the number of non-operational fatalities from eight to sixteen. The Department has stated that there was no common factor explaining the rise. The Defence Analytical Services and Advice (DASA) advised the Department that, because the absolute number of fatalities is small, the rise may not be statistically significant.

**36** In April 2010, the Department brought into effect a new Defence Performance Framework to assess strategic performance and risk. The Framework is intended to provide the necessary information to enable the Defence Board to provide timely direction and guidance.

**37** Throughout 2010-11, Defence Internal Audit (DIA) found that controls provided only Limited Assurance, and existing risk management processes were overly-complex, bureaucratic and did not consistently reflect good practice. The majority of Process Owners – those responsible for the cross-cutting processes across Departmental operations – also assessed the level of assurance as being limited.

**38** The SIC also highlighted the following key risks for the Department:

- **Affordability of the Defence Programme:** Despite the changes announced in the SDSR, at 31 March 2011 a significant gap remained between the affordability of the Defence Programme and the level of funding available to the Department. A range of exercises are under way to reduce the gap further and inform the Department's next planning round, including an assessment of the costs and affordability of the equipment element of the forward programme.
- **Manpower Reductions:** The Department considers that reductions in Service and Civilian manpower are necessary in order to achieve the required cost savings over the next four years. In addition to posing a risk to morale, manpower reductions are having a direct effect on the control environment as posts are gapped or cut, and there is a shortage of suitably qualified and experienced personnel in several key areas.

- **Inventory and Stock Control:** The Department has acknowledged weaknesses in inventory and stock control, and have stated that they are implementing processes to address these weaknesses. Despite the implementation of these initiatives, the Department has accepted that control issues will remain in these areas for the next two to three years.
- **Unauthorised Disclosures:** During the year, a high level of unauthorised information disclosures occurred from within the Department. Such leaks are potentially damaging to the Department and are resource intensive to manage.
- **Condition of the estate:** Resource constraints have resulted in limited investment in both the fuels and explosives estates, presenting a risk to both safety and the environment. A significant risk faced by the fuels estate is the aging infrastructure, and it continues to operate through a combination of stop-gap maintenance, risk management and reactive funding. The Department's requirements for ammunition storage are currently being reviewed in the light of the SDSR. The results of this review are likely to influence the level of risk associated with the explosives estate.

# Part Three

## Use of information

**39** 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.

**40** 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

**41** Each government department now reports its performance against the priorities and objectives set out in its Business Plan. A transparency section of the Plan 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.

**42** 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.

**43** 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.<sup>12</sup> 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.

**44** It is too early for us 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 Accounts<sup>13</sup> 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.

<sup>12</sup> <http://www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary>

<sup>13</sup> *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

**45** The Department's Business Plan<sup>14</sup> outlines its vision and priorities for 2011-15, as well as the key commitments involved in delivering its reform programme. The Plan identifies ten input and ten impact indicators (excluding sub-measures) as a basis for reporting performance to the public. Input indicators focus on cost measures for different elements of the Department's activities, including unit costs of standing military commitments and the unit costs of Service and civilian personnel. Impact indicators include a measure of progress towards a stable and secure Afghanistan and the average number of months that the equipment programme is delayed in year. The Department has also identified milestones to track implementation of priority activities under its Structural Reform Plan.

**46** In all but two cases, updated progress information is not yet available for the Department's indicators, reflecting the annual data collection cycle for many of them. Data regarding delays in the equipment programme are meant to be available quarterly but as yet only data from Q4 2009-10 have been reported. For input indicators, updated information for Q4 2010-11 is expected by September 2011. For impact indicators, availability of updated information is not specified in the Department's performance reports, but the annual cycle suggests this may be in 12-15 months from the benchmark period.

**47** The Department's Business Plan identifies four structural reform priorities:

- Restructure the Armed Forces and their capabilities.
- Rebuild the Armed Forces Covenant and develop the New Employment Model.
- Deliver the Defence Reform Unit's review.
- Deliver Defence in the most effective, efficient and sustainable way.

**48** The latest implementation update report (August 2011) reports that all actions due for completion by August were complete and that the Department has not missed any deadlines.<sup>15</sup>

**49** Coverage of the input/impact indicators does not extend to logistics – particularly progress against supply chain targets – and business change programmes.<sup>16</sup> The Business Plan also does not include indicators related to improvements needed in financial management (such as reducing account qualifications and timely production of financial information) and management systems (such as stock systems and the Joint Personnel Administration systems).

**50** The Department has undertaken to publish further information to support its reporting on the 'transparency' section of its website<sup>17</sup> including:

- UK Armed Forces Quarterly Manpower Statistics (requirements, strengths, intake and outflow from the Armed Forces by Service).
- UK Regular Armed Forces Stationed Location (stationed location and movements of UK regular forces worldwide).
- UK Armed Forces Quarterly Mental Health Report.
- Operational Fatality and Casualty Statistics (fatality and casualty statistics for UK military and UK civilians on operations in Afghanistan).
- Armed Forces Continuous Attitude Survey Main Results (information on the attitudes, opinions and circumstances of serving military personnel).
- Civilian Personnel Statistics (Ministry of Defence civilian workforce by grade equivalence and budgetary area, and total civilian time series).
- UK Regular Forces Rank Structure.
- UK Defence Statistics (the annual statistics compendium of the Ministry of Defence).

14 Ministry of Defence, *Business Plan 2011-15*, May 2011.

15 Ministry of Defence Structural Reform Plan, Implementation Update August 2011.

16 <http://www.number10.gov.uk/wp-content/uploads/MOD-Business-Plan1.pdf>

17 <http://www.mod.uk/DefenceInternet/AboutDefence/WhatWeDo/Transparency/>

- Ministry of Defence Annual Reports and Accounts.
- Annual assessment of affordability (annual assessment of the affordability of the equipment and support programme against the ten-year financial horizon).
- Ministry of Defence Statistics via Build Your Own Table.

### Testing the reliability of performance data across government

**51** Some of the data systems used to report against the new performance indicators will be the same as those already being used by the Department to report against Public Service Agreements. In July 2010, we published our Sixth Validation Compendium Report<sup>18</sup> 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.

**52** 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

**53** Our report on the **Management of the Typhoon Project (March 2011)** found evidence of progress in generating better financial and performance data to support contract negotiations with industry. However, more generally, our work has identified significant gaps in the information the Department produces. In our financial audit work, the lack of information about its assets directly contributed to our qualification of the Department's 2010-11 resource accounts. Our recent value for money work has also identified common weaknesses in key information systems in the Department.

**54 Information to manage delivery:** Our report on **The use of information to manage the logistics supply chain (March 2011)** found business intelligence to support the supply chain falls short of general logistics industry practice. For example, the Department could not provide us with complete data on the costs of the deliveries to Afghanistan that we tracked. Timeliness of data is also an issue for all elements of the supply chain. Process and systems limitations, especially in the ageing and obsolete base inventory and warehousing systems, mean that management data is often up to four weeks old, which creates an environment in which management is reactive rather than proactive, and leads to duplication of monitoring effort.

**55** In our report on the management of the **Defence estate (July 2010)**, we found that insufficient data are available centrally to make informed decisions about the management of the estate. Some data on the estate are held centrally, other data are produced locally, but data on the estate are incomplete and are stored in different data systems that are difficult to reconcile.

**56 Information to manage efficiency:** Our report on the **logistics supply chain** found that the Department is unable to reconcile in a coherent manner information on the location of its assets and its inventory and supply chain costs. The Department does not collect sufficient information on costs throughout the supply chain, and does not collate together what data it does collect, which limits its ability to maximise efficiency. Similarly our report on the **Defence estate** found that while the Department has improved its planning arrangements, it lacks high level metrics to assess the efficiency of estate use. The Department is focused on operational needs with efficiency a secondary concern. As such, the Department is not able to demonstrate it is striking the right balance between meeting operational requirements and minimising the cost of the estate. The Department has set up the Defence Infrastructure Organisation, with a focus on better strategic management and optimising investment in the Defence Estate.

**57** In addition, we identified significant risks associated with the robustness of some data systems. Some of the data systems used in supply chain management are over 30 years old and are no longer supported by the manufacturers, resulting in a high probability of failure and exposing the Department to considerable risk. The Future Logistics Information Services project has the potential to reduce the risk of failure in some legacy systems but not across all base inventory warehousing systems, nor will it resolve the supply chain information capability shortfall.

## Part Four

### Service delivery

**58** 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.

**59** In the context of the Ministry of Defence, 'service delivery' refers to the placing of military forces in activities aimed at the defence and security of the UK and its national interests. This includes anything which enables or helps in the delivery of the military or security force, and achievement of the aims of operations, such as capability and manpower.

#### Major Operations

**60** The UK's Armed Forces are actively engaged in operational duties around the globe. The biggest deployment is in Afghanistan, where – as at March 2011 – the UK had 9,500 military personnel. In Afghanistan, the UK's Armed Forces form part of the NATO International Security Assistance Force (ISAF), which includes personnel from 42 other countries. Approximately 1,000 British forces are deployed on Operation ELLAMY, enforcing the no-fly zone over Libya, as part of an international coalition. The Armed Forces can also be called on to support a wide range of other activities, including crisis response, peacekeeping and support to UK civil authorities.

**61** Our work in this area has focused on the support provided by the Department to the armed forces as part of the operations, rather than examining the military operations themselves. Supporting major operations requires a significant logistics effort to ensure personnel and military supplies get to the right place at the right time. Our report, on **The Use of Information to Manage the Logistics Supply Chain (March 2011)**, included an assessment of the performance of the supply chain to Afghanistan as a case study. It found that the Department has been largely successful in getting materiel into theatre, sending some 130,000 consignments to Afghanistan in 2010 and, in doing so, overcoming considerable logistical challenges. Despite these improvements the Department is still not meeting its own performance targets, making deliveries on time in only 54 per cent of cases. The reasons for this performance include the Department not holding sufficient stocks ready for despatch, suppliers being unable to respond to the theatre demand (a procurement issue), and issues relating to the transit of supplies. This does, however, represent an improvement, with average delivery times now half of what they were in 2008.

#### Defence Equipment Acquisition

**62** Approximately 20 per cent of the Department's annual budget is spent on the acquisition of equipment. The Department procures a wide range of military and non-military items, as well as using a range of different contracts to deliver services and manage facilities. It faces unique challenges in procuring equipment and services which may be at the leading edge of technology for inherently uncertain future activities.

**63** Examples of its largest and most complex projects include:

- Typhoon fighter aircraft (estimated forecast cost of £37 billion);
- Future Strategic Tanker Aircraft (estimated forecast cost of £11.9 billion);
- Type 45 destroyers (estimated forecast cost of £6.5 billion); and
- Queen Elizabeth Class Aircraft Carriers (estimated forecast cost of £6.2 billion).

**64** Our **Major Projects Report 2010 (MPR10)**, identified an overall improvement in the Department's project management, particularly in terms of a better understanding of what affects project performance. The introduction of the Sentinel project monitoring system has helped by providing early warning of some issues emerging as the project progresses. Of the 15 key projects on which the MPR10 focused, 13 of them had stable costs and no further timescale slippage. However, despite this stabilisation, high-value problems have occurred on a small number of big projects, exacerbating already-existing problems with the Department's budget. Two projects – Typhoon and Carrier Strike – accounted for cost increases of £3.3 billion during 2010.

**65** Our reports this year have noted a number of underlying systemic problems in the acquisition process which have resulted in cost and time overruns. These make it more difficult for the Department to have effective project management processes and decision-making, and affect its ability to deliver the required capability to time:

- **Over-specification and optimism bias in the initial phases of the acquisition process.** Our report on **Armoured Vehicles**, found that procuring equipment to the highest standard with detailed specifications increases the risks to on-time and on-budget delivery of capability. In addition, there is the tendency to be overly optimistic about costs and deadlines, leading to increased costs and delays. Similarly, our report on the **management of the Typhoon project** found that key investment decisions were taken using over-optimistic and immature cost data. While the Department had budgeted to buy 232 aircraft in three tranches, the first two tranches cost more than expected, and the remaining budget was insufficient to buy the 88 aircraft agreed for the third tranche.
- **A tendency to take critical decisions without a full understanding of the impacts on costs and timelines.** Two of the projects examined in our reports (**Typhoon** and **Carrier Strike**) involved considerable cost and risk increases, due to key decisions being taken without a full understanding of the implications, costs or data. These increases have further exacerbated the Department's challenge in balancing its budget, and delayed the delivery of both the Typhoon aircraft and carrier capability. In the case of Carrier Strike, we noted decisions taken at the Strategic Defence and Security Review (SDSR) increased technical, cost and schedule uncertainty on what was, previously, a relatively mature project with understood risks and funded mitigation plans. Thinking about how the carriers will be used in operation is still evolving and there will be risks associated with reinstating a Carrier Strike capability after a delay of a decade. The Department has not yet produced quantitative assessments of a variety of uncertainties associated with the SDSR and estimates on costs are still immature.

- **Short-term savings at the expense of overall delays and cost increases.** The budgetary problems described above have been compounded by the tendency of the Department to make decisions aimed at achieving short-term savings at the expense of longer-term costs. The decisions often exacerbate the budgetary problems in later years. As the **Major Projects Report 2010** noted, two decisions taken by the Department to improve its short-term cash position and balance its budget on the procurement programmes for major pieces of equipment, resulted in overall cost increases, gaps in capability, and provided poor value for money in the long term. Our report on **Armoured Vehicles** found that the Department has spent £321 million on cancelled or suspended projects and £397 million on ongoing but delayed projects. The report concluded that there will be a significant gap between the armoured vehicles the Department says it needs now, and those it will have, until 2025 at the earliest. Our report on **Carrier Strike** identified a number of decisions to delay the project, which aimed at saving £450 million in the short term but which increased overall costs by £1.56 billion.

**66** Decisions to increase overall costs in order to achieve short-term savings are often made with the expectation that future spending increases would cover the future increases in costs. As noted in the section on Recent Developments (page 7), the Secretary of State announced on 19 July that a review of the funding implications of the SDSR had been completed and would result in a 1 per cent over-inflation rise in spending in 2015 – estimated to comprise an extra £3 billion.

# Appendix One

## The Department's sponsored bodies at 1 April 2011

Sponsored body type	Body name
Agencies funded through Ministry of Defence (MOD) Top Level Budgets <sup>1</sup>	Defence Vetting Agency
	MOD Police and Guarding Agency
	People, Pay and Pensions Agency <sup>1</sup>
	Service Children's Education
	Service Personnel and Veterans Agency <sup>1</sup>
Agencies operating as Trading Funds	Defence Support Group
	Defence Science and Technology Laboratory
	Met Office
	UK Hydrographic Office
Executive Non-Departmental Public Bodies (NDPBs)	National Army Museum
	National Museum for the Royal Navy
	Royal Air Force Museum
Advisory NDPBs	Advisory Committee on Conscientious Objectors
	Advisory Group on Military Medicine
	Armed Forces Pay Review Body
	Central Advisory Committee on Pensions and Compensation
	Defence Nuclear Safety Committee
	Defence Scientific Advisory Council
	National Employer Advisory Board
	Nuclear Research Advisory Council
	Review Board for Government Contracts
	Scientific Advisory Committee on Medical Implications of Less Lethal Weapons
	Veterans Advisory and Pensions Committees
Independent Monitoring Board for the Military Corrective Training Centre	
Other NDPBs	Operation TELIC Health Research Programme Review Board
Public Corporations	Oil and Pipelines Agency

### NOTE

<sup>1</sup> Agency status was removed from the Defence Storage and Distribution Agency on 31 July 2010. The Service Personnel and Veterans agency ceased to be an Agency with effect from 16 June 2011. The People, Pay and Pensions Agency ceased to be an Agency with effect from 6 July 2011.

# Appendix Two

## Results of the Civil Service People Survey 2010

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

Civil Service overall

#### 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

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

## Publications by the NAO on the Department since 2008

Publication date	Report title	HC number	Parliamentary session
18 July 2011	Report of the Comptroller and Auditor General on the 2010-11 Annual Accounts of the Ministry of Defence	HC 992	2010-11
07 July 2011	Carrier Strike	HC 1092	2010-11
20 May 2011	The cost-effective delivery of an armoured vehicle capability	HC 1029	2010-11
31 March 2011	Ministry of Defence: The use of information to manage the logistics supply chain	HC 827	2010-11
10 March 2011	Performance of the Ministry of Defence, 2009-10. Briefing for the House of Commons Defence Committee	<a href="http://www.nao.org.uk/publications/1011/mod_performance_2009-10.aspx">www.nao.org.uk/publications/1011/mod_performance_2009-10.aspx</a>	
02 March 2011	Management of the Typhoon Project	HC 744	2010-11
15 October 2010	Ministry of Defence: The Major Projects Report 2010	HC 489	2010-11
26 July 2010	Report of the Comptroller and Auditor General on the 2009-10 accounts of the Ministry of Defence	HC 258	2009-10
21 July 2010	Strategic Financial Management of the Defence Budget	HC 290	2010-11
08 July 2010	A defence estate of the right size to meet operational needs	HC 70	2010-11
30 June 2010	Short guide to the NAO's work on the Ministry of Defence	<a href="http://www.nao.org.uk/publications/1011/short_guide_mod.aspx">www.nao.org.uk/publications/1011/short_guide_mod.aspx</a>	
30 March 2010	Delivering multi-role tanker aircraft capability	HC 433	2009-10
10 February 2010	Treating injury and illness arising on military operations	HC 294	2009-10
15 December 2009	Ministry of Defence: Major Projects Report 2009	HC 85	2009-10
14 May 2009	Support to High Intensity Operations	HC 508	2008-09
27 March 2009	Ministry of Defence: The Red Dragon project	HC 296	2008-09

<b>Publication date</b>	<b>Report title</b>	<b>HC number</b>	<b>Parliamentary session</b>
18 March 2009	Ministry of Defence: Service Families Accommodation	HC 13	2008-09
13 March 2009	Ministry of Defence: Providing Anti Air Warfare Capability: the Type 45 destroyer	HC 295	2008-09
18 December 2008	Ministry of Defence: Major Projects Report 2008	HC 64	2008-09
05 November 2008	Ministry of Defence: The United Kingdom's Future Nuclear Deterrent Capability	HC 1115	2007-08
30 October 2008	Allocation and management of risk in Ministry of Defence PFI projects	HC 343	2007-08
04 July 2008	Ministry of Defence: The Defence Information Infrastructure	HC 788	2007-08
27 June 2008	Ministry of Defence: Hercules C-130 Tactical Fixed Wing Airlift Capability	HC 627	2007-08
04 June 2008	Ministry of Defence: Chinook Mk3 Helicopters	HC 512	2007-08

## Appendix Four

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

Publication date	Report title	HC number	Parliamentary session
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276	2010-11
14 October 2010	Central government's use of consultants and interims	HC 488	2010-11
19 July 2010	Progress with VFM savings and lessons for cost reduction programmes	HC 291	2010-11
06 November 2009	Commercial skills for complex government projects	HC 962	2008-09
16 October 2009	Government Cash Management	HC 546	2008-09
29 April 2009	Addressing the environmental impacts of Government procurement	HC 420	2008-09
26 March 2009	Innovation across central government	HC 12	2008-09
13 February 2009	Recruiting civil servants efficiently	HC 134	2008-09
05 February 2009	Assessment of the Capability Review Programme	HC 123	2008-09
20 February 2008	Managing financial resources to deliver better public services	HC 240	2007-08

# Appendix Five

## Other sources of information

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### Reports from the Committee of Public Accounts since 2009

Publication date	Report title	HC number	Parliamentary session
24 May 2011	37th Report – Departmental Business Planning	HC 650	2010–12
15 April 2011	30th Report – Management of the Typhoon Project	HC 860	2010–12
21 February 2011	23rd Report – The Major Projects Report 2010	HC 687	2010-11
14 December 2010	10th report – Managing the Defence Budget and Estate	HC 503	2010-11
29 March 2010	27th Report – Ministry of Defence: Treating injury and illness arising on military operations	HC 427	2009-10
23 March 2010	23rd Report – Ministry of Defence: Major Projects Report 2009	HC 338	2009-10
10 February 2010	13th Report – Excess Votes 2008-09	HC 360	2009-10
20 October 2009	41st Report – Service Families Accommodation	HC 531	2008-09
13 October 2009	54th Report – Ministry of Defence: Support to High Intensity Operations	HC 895	2008-09
23 June 2009	30th Report – Ministry of Defence: Type 45 Destroyer	HC 372	2008-09
15 May 2009	20th Report – Ministry of Defence: Major Projects Report 2008	HC 165	2008-09
19 March 2009	11th Report – The United Kingdom's Future Nuclear Deterrent Capability	HC 250	2008-09
5 March 2009	8th Report – Ministry of Defence: Chinook Mk 3	HC 247	2008-09
15 January 2009	1st report – Defence Information Infrastructure	HC 100	2008-09

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**Recent reports from Central Government**

September 2011	Ministry of Defence, Nuclear Liabilities Management Strategy
July 2011	Department for International Development, Foreign and Commonwealth Office and Ministry of Defence, Building Stability Overseas Strategy
June 2011	Lord Levene, Defence Reform – an independent report into the structure and management of the Ministry of Defence
May 2011	Ministry of Defence, The United Kingdom's Future Nuclear Deterrent: The Submarine Initial Gate Parliamentary Report
May 2011	Ministry of Defence, Business Plan 2011-15
March 2011	Ministry of Defence, The Review of the Armed Forces Compensation Scheme – One year on
March 2011	Ministry of Defence, Annual Report 2010-11
October 2010	Ministry of Defence, Defence ICT Strategy
September 2010	Secretary of State Policy Statement, Safety, Health, Environmental Protection and Sustainable Development for Defence
June 2010	Grimstone Report, Civilians in Defence Further Report

**Cabinet Office Capability Reviews**

<b>Publication date</b>	<b>Report title</b>
March 2009	Phase Two, Capability Review
March 2008	Phase One, One Year Update
March 2007	Phase One, Capability Review

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# Where to find out more

The National Audit Office website is  
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If you would like to know more about  
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