



National Audit Office

INFORMATION ASSURANCE SUMMARY REPORTS

Foreign and Commonwealth Office

The purpose and scope of this review

1 During the period 12 October to 16 December 2011, the National Audit Office (NAO) carried out an examination of a sample of FCO's indicators and operational data systems. This involved a detailed review of:

- the fit between the indicators FCO publishes, its operational data and the Foreign Policy Priorities (FPPs), the key business areas within FCO;
- the processes and controls used to select, collate, process and analyse the data; and
- the reporting of the indicators.

2 Our conclusions are provided as numerical scores. These ratings are based on the extent to which departments have put in place, and operated, internal controls over the data systems that are effective and proportionate to the risks involved.

3 This review provides an overview of our assessment of the systems. It does not provide a conclusion on the accuracy of the final figures reported in the FCO's public performance statements. This is because the existence of sound data systems reduces, but does not eliminate, the possibility of error in reported data.

Overview

4 As part of our review we compiled a register of all indicators which FCO uses to assess its performance. We found that they were predominantly drawn from four sources:

- a** the Business Plan, published in May 2011;
- b** the Key Performance Reports (KPR), presented on a monthly basis to the board;
- c** the Common Areas of Spend indicators, which appear on FCO's Quarterly Data Summary (QDS) and are published for most central government departments; and
- d** reports submitted to Parliament.

5 We assessed how well the key business areas were covered by different types of indicator. The indicator types used were: financial, for example income and expenditure; operations, for example volumes of work and project progress; results, for example outputs and outcomes; and context, for example benchmarking, budgets and external information. We found that FCO's indicators were mainly financial or operations based. There are far fewer results or context indicators. This uneven spread of indicators was even more apparent on the KPRs, where we found no results based indicators, and only one contextual based indicator.

6 To validate all the data systems which inform FCO's indicators, we split the work over a three-year period, as follows:

- a** in year one, we have reviewed a number of the KPR indicators and how FCO collects data from bodies within their Group for seven Common Areas of Spend indicators: Estate costs and Workforce;
- b** in year two we plan to review the majority of publicly reported indicators, the replacement indicator set for the Financial and PRISM Performance Measures and more Common Areas of Spend; and
- c** in year three, we plan to look at the Business Plan indicators relating to Consular activities and indicator sets currently under development by FCO that relate to the recently announced Diplomatic and Financial Excellence initiatives. In this final year we will also complete our review of Common Areas of Spend.

We have not looked at indicators where systems are yet to be established or those which are currently under significant redevelopment.

7 We chose our sample of 11 KPR indicators (as noted in **Figure 1** on page 3) to validate in year one of the project, to give good coverage of FCO's significant business areas.

8 To assess overall indicator coverage of FCO's business areas we have used the three Foreign Policy Priorities (FPPs) which FCO identified as their key operating segments in the 2010-11 Accounts along with Our Purpose. The indicators we reviewed directly covered two operating segments:

- Our Purpose; and
- Consular.

Several of the indicators indirectly cover all of the FPPs, for example, Programme spend against budget, however, it is not possible to judge progress against the FPP from this data alone.

9 To assess the wider control environment, we reviewed the adequacy of corporate controls by interviewing FCO staff and examining NAO's reports and financial audit documentation. Our report identifies where data systems are still subject to development and, as such, could not be fully tested.

10 Figure 1 summarises our assessment of the data systems that inform FCO's indicators.

Figure 1

A summary of the results of our validation exercise

Score	Meaning	Indicators we reviewed that received this score
4	The data system is fit for purpose and cost-effectively run	<p>Six operational indicators</p> <p>Foreign Currency Mechanism.</p> <p>HR Salary Out-turn.</p> <p>Internal Audit Department.</p> <p>Capital Departmental Expenditure Limit.</p> <p>Resource Departmental Expenditure Limit.</p> <p>Programme spend.</p>
3	The data system is adequate but some improvements could be made	<p>Three operational indicators and three workforce indicators</p> <p>Risk tolerance to out-turn.</p> <p>Official Development Assistance.</p> <p>HR Headcount and Positions per DG and mandated maximum: element relating to headcount and monthly change.</p> <p>Payroll staff (full time equivalents).</p> <p>Average staff costs.</p> <p>Contingent labour (full time equivalents).</p>
2	The data system has some weaknesses which the Department is addressing	<p>One operational indicator and four estates indicators</p> <p>Savings Programmes.</p> <p>Total office estate.</p> <p>Total cost of office estate.</p> <p>Estate cost per full-time equivalent.</p> <p>Estate cost per square metre.</p>
1	The data system has some weaknesses which the Department must address	<p>One operational indicator</p> <p>HR Headcount and Positions per Directorate General (DG) and mandated maximum: element relating to number of positions compared to cap.</p>
0	No system has been established to measure performance against the indicator	No indicators

Source: National Audit Office analysis

- 11** Our work has established that FCO generally has a robust data set for the KPR indicators that we have reviewed, which allows the Department to measure its performance accurately. FCO staff are aware of the need for high quality data to inform the indicators.
- 12** We noted that for two of the indicators, Official Development Assistance spend and Savings Programmes achievements, FCO is currently refining the methodologies that inform them.
- 13** The KPR indicators relating to spend were clear and well informed. We found that FCO staff had a sound understanding of the need for high quality data to assist the board's decision-making capabilities. The few recommendations we have made in these areas relate to a general lack of desk instructions for the processing and analysis of data.
- 14** We found weaknesses in the data systems of the seven Common Areas of Spend indicators we reviewed for estate costs and workforce. Users of the estates figure would have been unable to distinguish a genuine movement from the changes arising from an updated space survey being undertaken. For the workforce family figure we did not consider FCO to have provided sufficient challenge or oversight over British Council's contribution to the data.