



National Audit Office

DEPARTMENTAL OVERVIEW

A Summary of the NAO's work on the Ministry of Defence 2011-12

MARCH 2013

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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 a summary of the Ministry of Defence's performance from July 2011 to January 2013 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 Ministry of Defence (the Department) 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 activities of the Department are 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.

2 The Department's Business Plan 2011–2015 was originally released in November 2010, and was refreshed in May 2012. It lists the Department's priorities as:

- to succeed in Afghanistan;
- to continue to fulfil our standing commitments;
- to succeed in other operations we are required to undertake;
- to transform Defence by:
 - restructuring the Armed Forces and their capabilities;
 - implementing the new Defence Operating Model;
 - delivering Defence in the most effective, efficient and sustainable way.

How the Department is organised

3 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 (Royal Navy Command, Land Forces, Air Command, Chief of Joint Operations, Defence Equipment and Support, Central, and Defence Infrastructure Organisation), three Trading Funds (Defence Support Group, Defence Science and Technology Laboratory, and Hydrographic Office), and an Agency (Service Children's Education).

4 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

Chief of Defence Materiel (the head of Defence Equipment and Support)

Chief Scientific Adviser

Director General Finance

Military

Vice Chief of the Defence Staff (responsible for running Defence business)

First Sea Lord and Chief of Naval Staff (Professional head of the Royal Navy)

Chief of the General Staff (Professional head of the British Army)

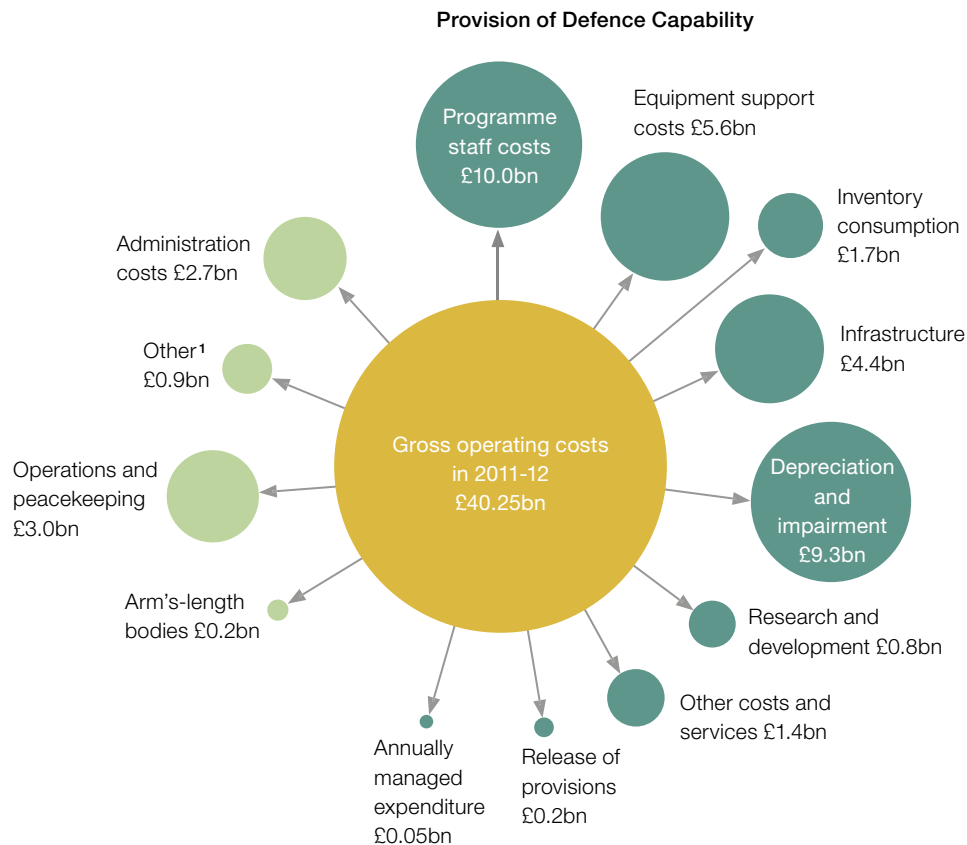
Chief of the Air Staff (Professional head of the Royal Air Force)

5 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; Vice Chief of the Defence Staff; Chief of Defence Materiel; Director General Finance; and three non-executive board members.

Where the Department spends its money

6 In 2011-12, the Department's net resource outturn was £38.5 billion, compared to £48.6 billion in 2010-11. The fall is due mainly to some £8 billion of write-off costs for equipment taken out of service that were incurred in 2010-11 but not in 2011-12, arising from decisions made in the 2010 Strategic Defence and Security Review (SDSR). The Gross operating costs were £40.25 billion (see **Figure 1** overleaf).

Figure 1
Where the Ministry of Defence spent its money in 2011-12



NOTE

¹ Other includes War Pensions Benefits and Global Pool – Resource.

Source: Ministry of Defence, Annual Report and Accounts 2011-12, HC 62, December 2012, p.125, table 2.1.

7 Staff: In 2011-12, the Department employed around 190,000 Service personnel and a further 72,000 civilian staff (excluding the three Trading Funds). The costs of these personnel were £10.1 billion and £2.8 billion,¹ respectively. Under the 2010 Strategic Defence and Security Review, Service personnel are expected to be reduced by 17,000 and civilian personnel by 25,000 (including the Trading Funds). In July 2011, the government 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 to Reserve forces. This means that the number of regular forces is expected to be 82,000 – a reduction of 10,000 from the position in the 2010 Strategic Defence and Security Review.

8 Major Operations: Currently, the Department's most significant activity is the support of military operations in Afghanistan, and until recently in Libya. During 2011-12, the net additional cost of operations was £3.46 billion in Afghanistan and £214 million in support of the Libya operation.

9 Equipment Acquisition: In 2011-12, the cost of the Department's equipment acquisition activity was approximately £9.0 billion. This included £0.4 billion of Urgent Operational Requirements, 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.

10 At 31 March 2012, the Department was responsible for delivering major projects with a whole-life cost totalling £59.6 billion.² The five largest projects are: Typhoon Fighter Aircraft including Future Capability Programme at a cost of £18.2 billion; Future Strategic Aircraft Tanker at a cost of £12.0 billion; Astute Submarine at a cost of £5.7 billion; Type 45 Destroyer at a cost of £5.7 billion and Queen Elizabeth Class Aircraft Carrier at a cost of £5.1 billion.

11 Pensions: The Department also administers and contributes to the Armed Forces Pension Scheme, which paid £3.8 billion, including lump sums on retirement to around 400,000 retired veterans, in 2011-12. In 2011-12, the Department's contribution was £2.1 billion, with HM Treasury funding the remainder. Net Scheme liabilities totalled some £106.9 billion in 2011-12.³

Recent developments and current challenges

The Department is experiencing a number of structural and operational challenges

Balancing the budget

12 In May 2012, the Defence Secretary announced the elimination of the budget deficit which the Department had estimated was £38.0 billion before the Strategic Defence and Security Review.⁴ It means that, for the first time, the Department believes its core equipment programme is fully funded and affordable.

13 In January 2013, the Department submitted to Parliament the first of what will be an annual series of statements on the affordability of the Department's equipment plan. The Equipment Plan sets out the Department's forecast expenditure plans to provide and support the equipment the armed forces require to meet the objectives set out in the National Security Strategy over the next ten years. We have reviewed the Department's statement and published our conclusions in a separate report on 31 January 2013.

14 The Equipment Plan covers forecast expenditure of £159.0 billion, including £73.0 billion on buying new equipment. Taken together with the **Major Projects Report**, the new statement on the affordability of the Equipment Plan provides a more informed basis for Parliament to understand whether the Department is balancing prudent financial management with meeting the equipment capability needs of the armed forces.

Transforming defence

15 Following the Strategic Defence and Security Review, Lord Levene's Defence Reform report, and in response to changing Defence priorities, consistent spending overruns and tightening government budgets, the Department launched Defence Transformation. This is addressing the 99 Defence-related commitments made in the Strategic Defence and Security Review and other change imperatives.

16 Defence Transformation is intended to deliver combined non-frontline savings of £4.3 billion over the spending review period, a 65,000 headcount reduction by 2020 and a new operating model running by April 2013 including the creation of a Joint Forces Command and a reformed Head Office. Transformation is being led by the Director General Transformation and Corporate Strategy reporting to the Defence Board.

² Ministry of Defence, Annual Report and Accounts 2011-12, HC 62, December 2012, page 9.

³ Armed Forces Pension Scheme Annual Accounts 2011-12 HC 39, July 2012, page 26.

⁴ House of Commons, Statement by the Secretary of State for Defence, 14 May 2012.

17 The Department published the first full version of a 'Blueprint for the future Department', in December 2011, reissued in June 2012 and January 2013, to reflect subsequent progress. The blueprint sets out what the Department will look like and how Defence will work from April 2013, and the key milestones as the Department makes the transition.

18 The new model⁵ is expected to:

- increase real accountability of budget holders for delivering Defence outputs within the agreed financial envelope, while empowering the single Service Chiefs of Staff with greater freedoms to run their Service;
- create a stronger, smaller and more strategic centre, better able to take difficult resource allocation decisions and monitor the delivery of outputs;
- provide a structured framework that sets out clearly which decisions are best taken in the centre and which are best taken in the business, but in all cases makes senior individuals responsible for them, gives them the means and incentives to deliver, and holds them robustly to account;
- establish much tighter financial management processes to ensure that the need for affordability is recognised and owned at all levels across the Department and that the board has the increased visibility and assurance necessary to ensure financial control, but ends micro-management;
- balance the strengths of the single Services with the need to build on the joint approach, and disentangles Head Office and joint activity through establishment of a separate Joint Forces Command; and
- bring transparency, standardisation and best practice to enabling processes, both to ensure efficiency and to ensure that posts are filled with the right individuals, with the right skills, for the right length of time.

19 Two voluntary early release schemes for Ministry of Defence civil servants have been launched in response to the outcome of the Strategic Defence and Security Review which announced some 25,000 civilian staff reductions by 31 March 2015. The Department currently plans to achieve approximately 28,500 reductions in this time.⁶

20 The first voluntary early release scheme covered the financial year 2011-12 and was originally intended to secure up to 4,000 individual releases. Interest in the scheme exceeded expectations and the allocated funding was increased to enable the Department to maximise the numbers that could be released. A total of 13,943 individuals applied; 8,167 offers were made and 6,268 offers were accepted – all of whom had left by 31 March 2012.

21 The second voluntary early release scheme was launched in November 2011 and invited applications for release during the two financial years up to 31 March 2014. A total of 12,640 applied, of which 5,889 applications have been approved (offers made or to follow) and a further 3,074 have been placed on reserve lists.

22 The Department has also announced reductions in military personnel. These total 25,000 personnel by 2015. It expected the first two tranches of the Armed Forces Redundancy Programme to deliver up to 6,700 redundancies towards this total. In the first tranche announced in September 2011, 2,860 Service personnel were notified that they had been selected for redundancy: 1,020 from the Royal Navy, 920 from the Army and 920 from the Royal Air Force. Sixty-two per cent of those selected had applied to be made redundant. The second tranche commenced in January 2012 and affected 400 members of the Royal Navy, up to 2,900 members of the Army and up to 900 members of the Royal Air Force. A third tranche was announced in January 2013 and will consist of up to 5,300 soldiers from the Army but will not involve any Royal Navy or Royal Air Force personnel.

5 Ministry of Defence, Annual Report and Accounts 2011-12, HC 62, December 2012, p. 46.

6 Ministry of Defence, Annual Report and Accounts 2011-12, HC 62, December 2012, pp. 67-68.

Restructuring of the Commands

23 One of the main tangible accomplishments of the early stages of Transformation has been the restructuring of the Commands.

24 The new Joint Forces Command achieved Initial Operating Capability in April 2012. The Joint Forces Command has been established to ensure that a range of military capabilities, functions and organisations – such as medical services, training and education, intelligence, and cyber security – are organised and managed effectively and efficiently to support success on operations. By bringing together a number of joint Defence organisations, the Joint Forces Command will ensure investment in joint capabilities is appropriate and coherent, and strengthen the link between experience in operational theatres and top-level decision-making. Over the next year, the Joint Forces Command will assume the full range of its planned responsibilities.

25 The Defence Secretary has also announced a new structure for Head Office that will cut 25 per cent of civilian and military senior personnel, expecting to save the Department around £3.8 million.

Implementation of the Materiel Strategy

26 The Materiel Strategy⁷ was launched in May 2011. Its aim is to consider how Defence Equipment and Support (the Department's acquisition function) can operate more efficiently and effectively. Three root causes for delays and cost overruns in the Ministry of Defence acquisition have been identified: the overheated Equipment Programme; the weak interface between Defence Equipment and Support and the wider Department that results in poor discipline and change control; and insufficient levels of business capability in Defence Equipment and Support for the size and complexity of the programme it is asked to deliver. In order to address these problems, the Materiel Strategy has considered a range of organisation design options intended to break the

cycle of poor performance and three options were presented to ministers in December 2011 to change Defence Equipment and Support to:

- a Trading Fund;
- an Executive Non-Departmental Public Body with a Strategic Partner; and
- a Government Owned, Contractor Operated entity.

27 The Department is undertaking further work on the options for increasing the role of the private sector in Defence Equipment and Support and, subject to Ministerial approval, intends to undertake further work during an Assessment Phase, including approaching the market for their proposals. The Department has told us that it will now make a final investment decision in mid-2014.

Capability and leadership

28 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. 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. 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'.

⁷ Ministry of Defence, Annual Report and Accounts 2011-12, HC 62, December 2012, page 63.

29 In June 2012, the Department produced its Capability Action Plan.⁸ This was based upon assessments made by capability reviews including the Strategic Defence and Security Review and the Defence Reform Review, as well as more recent staff surveys and the views of members of the Transformation Steering Group and the Institute for Government.

30 This review represents the third capability review for the Ministry of Defence since 2007, and sets out what the Department considers to be its key challenges, which are to:

- work across government and with key allies and partners to ensure a secure and resilient UK and to shape a stable world;
- maintain flexible, agile, battle-winning Armed Forces with the right equipment, the right people, the right training and the right support;
- support Service personnel and their families, Reserves, veterans and civilian staff; and
- transform itself to meet the challenges of the future through a simpler, more effective organisation that lives within its means.

31 On leadership, a review of board effectiveness by the lead non-executive found evidence of a good start in tackling difficult issues but twin challenges of sustaining progress and communicating the board's work across the Ministry.

32 In respect of strategy, the creation of the National Security Council in 2010 has strengthened the capability to develop and direct strategy. The generation of evidence and procedures and processes for using this in business are strong but the Levene Report in 2011 identified weaknesses in the use of the evidence base in decision-making.

33 With regard to delivery, the Department's new Operating Model from April 2013 will empower each of the Commands and other Top Level Budget holders to determine how best to deliver the outputs required of them by the Defence Board within the resource

envelope allocated to them. Service Chiefs' efforts will be focused on managing their Service, including the development and generation of forces within their allocated budget and the necessary delegated authorities. The Head Office will concentrate on policy, strategic balance-of-investment decisions, and holding the Top Level Budget holders to account for delivery of their Command Plans. The plans will set out how Top Level Budget holders will drive increased efficiency and resource awareness.

34 **Figure 2** shows the results of the Department's self-assessment, and the previous two assessments undertaken in March 2007 and March 2009, using a red, amber, and green (RAG) rating. Minor changes have been made to the criteria reported under the themes of leadership and delivery in the most recent Capability Review. In broad terms, the trends indicate that the **Leadership** team has improved markedly its ability to **set direction** for the Department since the 2007 assessment, but that the **ignite passion, pace and drive** theme has deteriorated significantly. Similarly, in terms of **Delivery**, the **develop clear roles and responsibilities** theme has improved, but **manage performance and value for money** has eroded.

The Civil Service People Survey

35 The survey⁹ 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 at **Figure 3** on page 12 the results of the third annual people survey for the Ministry of Defence covering the themes of leadership and managing change, and understanding of organisational objectives and purpose. The results of 17 major departments are in Appendix Two.

⁸ Ministry of Defence Capability Action Plan, June 2012.

⁹ Ministry of Defence People Survey Results, Autumn 2011.

Figure 2

The Ministry's value-for-money assessment scores of capability

Themes	March 2007 Assessment ¹	March 2009 Assessment ²	June 2012 Assessment ³
Leadership			
Set direction			
Ignite passion, pace and drive			
Take responsibility for leading delivery and change			n/a
Build capability			n/a
Develop people	n/a	n/a	
Strategy			
Set strategy and focus on outcomes			
Base choices on evidence and customer insight			
Collaborate and build common purpose			
Delivery			
Innovate and improve delivery	n/a	n/a	
Plan, resource and prioritise			
Develop clear roles, responsibilities and delivery model			
Manage performance and value for money			

Source: Cabinet Office, *Capability Review of the Ministry of Defence, March 2007*; Cabinet Office, *Ministry of Defence: Progress and Next Steps, March 2009*; Cabinet Office, *Ministry of Defence Capability Action Plan, June 2012*.

Figure 3
2011 Civil Service People Survey: Ministry of Defence (excluding agencies)

Theme	Theme score (% positive)	Difference from 2010 survey	Difference from Civil Service average 2011
Leadership and managing change			
I feel that the Department as a whole is managed well	20	-3	-21
Senior managers/leaders in the Department are sufficiently visible	27	0	-18
I believe the actions of senior managers/leaders are consistent with the Department's values	27	-1	-12
I believe that the departmental board has a clear vision for the future of the Department	20	-1	-20
Overall, I have confidence in the decisions made by the Department's Senior civil service	17	-3	-19
I feel that change is managed well in the Department	12	-4	-15
When changes are made in the Department they are usually for the better	9	-3	-13
The Department keeps me informed about matters that affect me	41	-4	-14
I have the opportunity to contribute my views before decisions are made that affect me	19	-3	-16
I think it is safe to challenge the way things are done in the Department	31	-4	-7
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	80	-3	-4
I have a clear understanding of the Department's objectives	72	-5	-7
I understand how my work contributes to the Department's objectives	76	-5	-5

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. The difference between the Department and the Civil Service People Survey (Appendix Two) may differ due to rounding.

Source: Ministry of Defence People Survey Results, Autumn 2011

36 To demonstrate the trend of survey results over the three-year period (2011, 2010 and 2009), we have provided a graph illustrating the results in **Figure 4** overleaf.

37 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 agencies) achieved an engagement index of 53 per cent,¹⁰ four percentage points lower than the previous survey and two percentage points below the 2011 civil service average.

Armed Forces Continuous Attitude Survey (AFCAS)

38 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 on 1 September 2012¹¹ – 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.

39 Some of the key findings¹² were:

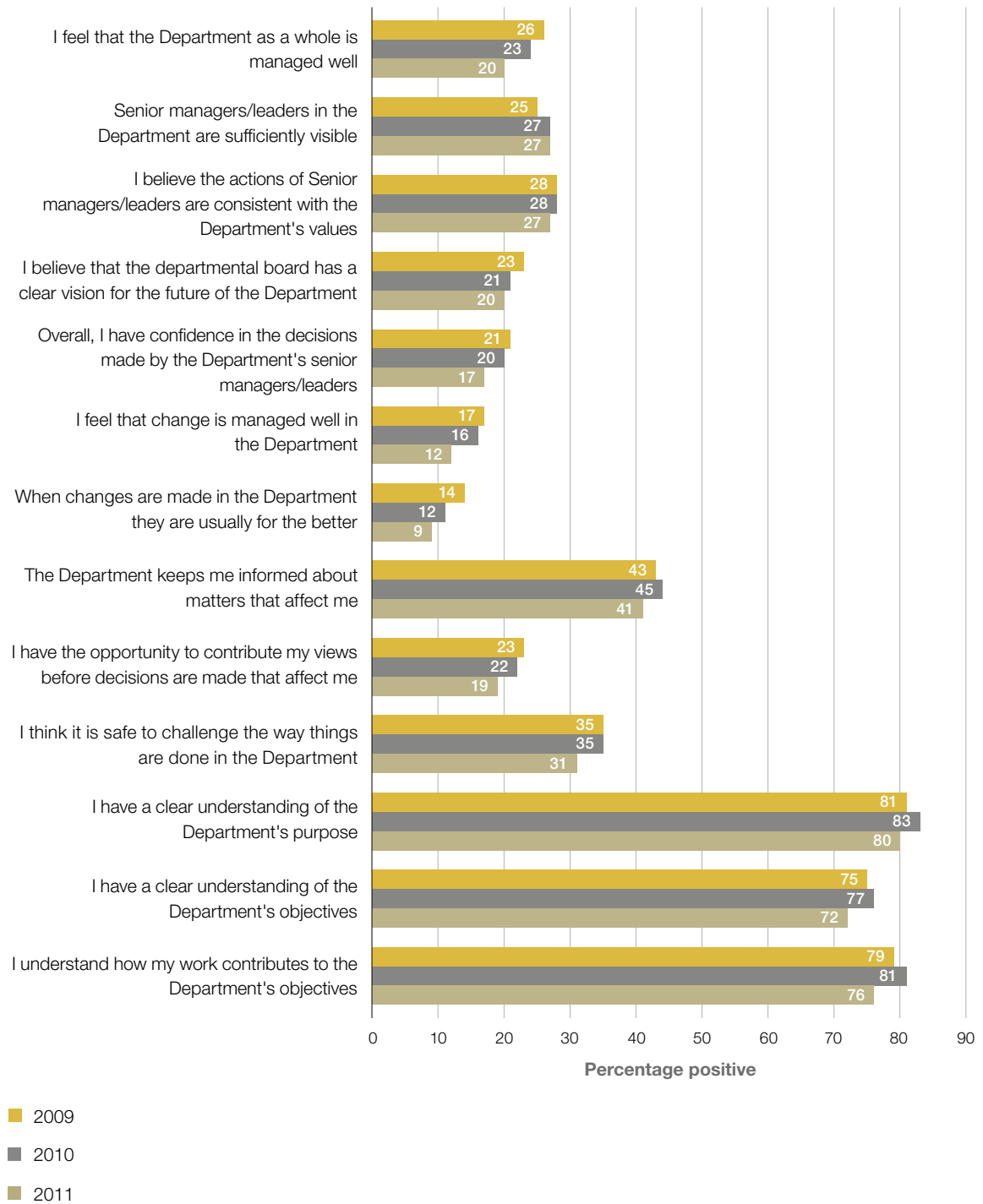
- the majority of personnel (83 per cent) continue to report feeling proud to be in the Service;
- a strong team ethos at the local level (85 per cent) and confidence in the immediate work team to overcome difficulties (89 per cent) remains high;
- job satisfaction (64 per cent) has increased three percentage points since 2010, as has satisfaction with the standard of personal (five percentage point increase to 54 per cent) and major equipment (four percentage point increase to 44 per cent);
- whilst satisfaction with basic pay (43 per cent), pensions (50 per cent) and allowances (37 per cent) has decreased since 2010, job security (69 per cent), dental and healthcare (66 per cent) provision, and current pension arrangements (70 per cent) still rank among the top factors associated with intention to stay in Service;
- the high percentage of Service personnel who considered the length (82 per cent) and frequency (68 per cent) of operational deployments to be about right has been maintained from 2010 levels;
- most Service personnel receive support from family members (83 per cent), although perceived negative impact of Service life on family and/or personal life is the highest factor (53 per cent) associated with intention to leave the Service; and
- those satisfied with Service life in general has decreased three percentage points since 2010 to 57 per cent.

¹⁰ Ministry of Defence People Survey Results, Autumn 2011.

¹¹ Armed Forces Continuous Attitude Survey (AFCAS) Report, August 2012

¹² Ministry of Defence, Annual Report and Accounts 2011-12, HC 62, December 2012, pp.41-42

Figure 4
Analysis of Civil Service People Survey for 2009, 2010 and 2011



Source: Civil Service People Survey: Ministry of Defence (excluding agencies)

Part Two

Financial management

40 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.

41 Departments are required to publish Governance Statements with their Annual Reports 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.¹³

Financial outturn for 2011-12 and comparison with budget

42 Planned expenditure for 2011-12 was set out in the Department's 2011-12 Main Parliamentary Estimate, which was updated by a single Supplementary Estimate.

43 In 2011-12, the Departmental Resource spend was £38.5 billion – an underspend of £3.6 billion against its estimate of £42.1 billion. Of this, £1 billion related to lower than expected outturn in respect of impairments and depreciation; movement in the value of the nuclear provision of £1 billion; and movements in the market value of elements of the defence estate (£1 billion). The Cash Resource DEL underspend on operations, claimed against the Reserve was £244 million; and against the core budget was £184 million.

Progress on cost reduction

44 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 longer term.

45 Under the terms of the 2010 Spending Review, the Department is part-way through a period of significant cost reduction. Overall, its resource spending is planned to fall in real terms by 8 per cent over the period from 2011-12 to 2014-15. The Department has started to achieve this through reductions in older or non-essential capabilities such as the Harrier jet, Nimrod maritime reconnaissance aircraft and some frigates and non-frontline savings of at least £4.3 billion across the spending review period.¹⁴

46 In February 2012, we examined the cost reductions achieved by 12 departments in our report *Cost Reduction in Central Government: A Summary of Progress*.¹⁵ We found that departments successfully cut spending by £7.9 billion (on average 2.3 per cent) in 2010-11 compared to 2009-10, but further cuts are needed in most departments over the next four years. The Ministry of Defence reduced its overall spending by 1 per cent compared with 2009-10. This was the result of a 10 per cent reduction in administration costs, partially offset by an increase in programme costs. We said in our report that fundamental changes would be needed if government were to reduce costs on the scale required and achieve value for money in the longer term.

47 The Department has stated that the 2010 SDSR delivered such a change for the MoD by resetting the government's policy objectives and setting out new ways of delivering them. This has included decommissioning HMS Ark Royal, taking the Harrier jet out of service, reducing the number of Challenger tanks by 40 per cent, reducing the number of AS90 artillery pieces by 35 per cent, not bringing into service Nimrod MRA4 aircraft and setting ambitious targets for efficiency.

¹³ Available at: www.hm-treasury.gov.uk/id/dao_02_12.pdf

¹⁴ HM Treasury Spending Review 2010, Cm 7942, October 2010, (paragraph 2.78).

¹⁵ Comptroller and Auditor General, *Cost Reduction in Central Government: A Summary of Progress*, Session 2010–2012, HC 1788, National Audit Office, February 2012.

NAO reports on financial management

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

49 We found evidence of **a lack of incentives in management and accountability structures** in our examinations of financial management across the Ministry of Defence. In our report *Managing the Defence Inventory*,¹⁶ we found that the Department is buying more inventory than it uses and not consistently disposing of stock it no longer needs. The root cause of excess stock is that management and accountability structures currently fail to provide the incentives for cost-effective inventory management. The Department has commissioned a review to establish and sustain more cost-effective inventory management and plans to implement its recommendations by March 2013.

50 We found examples of **cost increases deriving from previous bad management** within the Ministry of Defence. *The Major Projects Report 2011*¹⁷ reported that action taken by the Ministry of Defence to balance its overall budget in the short term following the Strategic Defence and Security Review has contributed to a near £500 million in-year cost increase in the 15 largest defence projects. When coupled with previous cost growth, these projects are now £6 billion above forecasts made when the main investment decisions were taken. For the third successive year, central planning decisions taken by the Department, including delaying the Astute submarine project, have had the biggest impact on cost growth. The Ministry of Defence has been hampered by a legacy of poor planning and performance on some past projects, and the resulting cuts and delays are not value for money. However, it is clear that the Department has finally accepted that the financial position it is in is serious and is actively working towards balancing its books in the longer term.

NAO financial audit findings

51 The Comptroller and Auditor General qualified his opinion on the 2011-12 Departmental Resource Accounts due to: material error arising from adopting accounting policies which did not fully comply with the required accounting standards, and limited the scope of his opinion due to weaknesses in the accounting for non-current assets. He also qualified his opinion on regularity as a result of the Department not having obtained the necessary approvals for a board member's remuneration and benefits package.

52 Accounting for lease-type arrangements:

For the third successive year, the Department did not comply with the accounting requirements for determining whether a contract contains a lease and therefore omitted a material value of assets and liabilities from its Statement of Financial Position. For example, where shipyards are used exclusively on defence contracts and the pricing of the contract recognises this by allowing recovery of fixed costs other than through market rate or unit cost pricing. As such, these arrangements may be considered to contain a lease under International Financial Reporting Standards (IFRS), and may have the characteristics of a finance lease. The Department considers that it will be unable to begin to gather this information until current contract re-negotiations have been completed.

53 Non-current assets and inventory: For the fourth successive year, the C&AG has limited the scope of his opinion in relation to certain non-current assets recorded within the Statement of Financial Position, in the form of capital spares (£7 billion) and inventory (£3 billion). The limitation arises as a result of the Department having inadequate processes to assess the impact of impairment of non-current asset capital spares and the valuation of current asset inventories in the form of raw materials and consumables. Due to the lack of a systematic assessment, the Department has been unable to provide sufficient evidence to support the valuation of these balances. The Department, through the Chief of Defence of Materiel, is finalising an Inventory Strategy to improve the Department's arrangements for managing its inventory. As part of this strategy, the Department will establish a systematic impairment review of inventory and capital spares by focusing review activity on specific high-value inventory and capital spares.

16 Comptroller and Auditor General, *Managing the Defence Inventory*, Session 2012-13, HC 190, National Audit Office, June 2012.

17 Comptroller and Auditor General, *Major Projects Report 2011*, Session 2010-2012, HC 1520-1, National Audit Office, November 2011.

54 Approvals for a remuneration and benefits package:

Since May 2010, the Cabinet Office in its guidance for approval of senior pay has required approval of all pay packages for newly appointed civil servants who receive remuneration packages in excess of £142,500. In July 2010, the Department obtained outline approval for the basic salary package of the future Chief of Defence Materiel, on the basis that it would seek approval on finalisation of the package following appointment. As the Department noted in its Remuneration Report within the Annual Report and Accounts, the Department had not yet obtained the required approval for the overall remuneration and benefits package. As a consequence, the C&AG qualified his opinion on regularity in respect of payments made, which he considers to be material in the context of the Remuneration Report.

Progress on previous areas of qualification

55 Completeness of inventory: Last year, we reported that around 7 per cent of items tested in Logistics and Commodity Services warehouses were not recorded on the warehouse stock-recording systems, and were not recorded on the Statement of Financial Position. In advance of the introduction of new systems, the Department has made substantial improvements in its stock-checking and recording procedures. Following the C&AG's 2010-11 Report on Accounts the Department has undertaken a major exercise to ensure all stock locations were visited by July 2012 and that all stock was recorded on the warehouse systems. As a consequence of this ongoing work, we evidenced reductions in error rates between items held on the shelf and warehouse records. As a consequence of the Department's effort, our annual audit identified that the error rate had significantly reduced, enabling the removal of the qualification relating to completeness of stock.

56 Reconciliation of inventory systems: In previous years, the C&AG reported on the difficulties the Department encountered in reconciling its numerous and aged warehousing systems to its accounting systems. This has resulted in material discrepancies which the Department had been unable to explain or reconcile. During 2011-12, the Department deployed significant resources to undertake a quarterly reconciliation across its major warehousing systems. Consequently, the Department has significantly reduced the level of discrepancy and gained a better understanding of the underlying reasons for remaining differences. Although work remains to reduce these levels still further, the discrepancy was low enough to enable our audit to conclude that there were no material discrepancies between the inventory systems and the financial systems.

57 Accounting for BOWMAN radio assets:

For four years, the C&AG has limited the scope of his audit opinion in respect of the evidence to support the balance recorded for BOWMAN radio assets. Over the past two years the Department has been upgrading its BOWMAN radios to enhance capability such that all radios operate to the new 'level 5.4' build standard. The Department's balance of BOWMAN radio assets in 2011-12 was £1.343 billion, based on 49,730 functioning and verifiable radio sets. This compares with 50,893 radios used as the basis for the Department's valuation of its BOWMAN assets in 2010-11. Having considered the results of the upgrade and other data available to it, the Department has written off 1,163 radio sets this year at a value of £33 million (see Note 25.1 to the accounts). The results of the improved record keeping as a result of the upgrade now provide a sufficiently reliable basis for the existence of the radio equipment. Consequently the C&AG removed his limitation of scope in respect of BOWMAN radio assets.

58 However, the Department remains some way from achieving its stated aim of tracking all radios electronically via their serial number. Around 84 per cent of assets were serially tracked and recorded on electronic systems at the time of the 2011-12 annual audit. Further effort will be required to improve this rate of capture on data systems.

Issues raised in Governance Statements

59 We work with departments 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 Treasury guidance.

60 In its December 2012 Governance Statement, the Department identified a number of significant risks and issues and described how it was dealing with them:

Transformation

61 The Department is going through a period of rapid change. As part of this change, it has created or changed boundaries between its component parts. This introduces some risk as relationships and processes across those boundaries are embedded and new behaviours mature. The Department has drawn this change together under the umbrella of Transforming Defence to allow the Defence Board to monitor this risk closely and take any necessary corrective action.

Staff Reductions

62 The Department drew attention to significant progress in making the reductions in both civilian and military staffing levels set out in the Strategic Defence and Security Review, but it highlighted the impact that this has had on staff morale. A further concern is that many areas report shortages of suitably qualified and experienced personnel. To address this all Top Level Budget holders have initiated comprehensive Workforce Management Plans, which the Department believes will mitigate some of the associated risks. The Armed Forces already have a clearer view of where their shortages lie, and have targeted measures in place.

Accounts Quality

63 The Department experienced some delays and difficulties in the production of its financial statements in 2011-12. The NAO's audit drew attention to a number of weaknesses in the draft statements which indicated material error in respect of accrual balances. On consideration of the audit findings, management decided to delay the publication of the accounts pending further management review. The identification of these errors through the audit process highlighted weaknesses in the effectiveness of the control framework and in the quality and capacity of finance staff. In the Governance Statement the Department has committed to expending additional effort to train staff and to implement more robust procedures to improve controls in this area in order to prevent any repetition of this issue in 2012-13.

Inventory and Stock Control

64 The Department drew attention to the progress made in accurately accounting for inventory and non-current assets. However it has identified that it needs to do more to address the remaining inventory qualification relating to the need for impairment review. The Department committed to a process for disposing of surplus items, but until completed it recognised that there would be a continued impact on the valuation of items held in its accounts.

Part Three

Performance

Reported performance

65 The 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 to design and deliver services and monitor quality, be confident about their productivity, and continually improve.

Reporting performance: annual reports and business plans

66 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 outcome.
- Efficiency indicators: setting out the cost of common operational areas to allow the public to compare the Department's operations to other organisations.

67 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.

68 Departmental progress against these indicators is published regularly in a Quarterly Data Summary which also reports on common areas of spend across departments, such as workforce and estates costs. The most recent Quarterly Data Summary, covering the final quarter of 2011-12, was in July 2012, but the Department published its business plan indicator data for the first quarter of 2012-13 separately in September 2012. 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 2012) which will also be the baseline for this data set.

69 The Cabinet Office has said that data accuracy for all departments needs to improve and that there may not be common definitions and data collection processes between departments.¹⁸ This means that data on common areas of spend cannot currently be used to compare performance between departments and is of limited use to judge individual departmental performance.

Performance reported by the Department

70 The Department's Business Plan outlines its vision and priorities for 2012-2015, as well as the key commitments involved in delivering its reform programme. The Plan as updated in May 2012 identifies five input and six 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 the average percentage by which the cost of the equipment programme varies compared to forecasts in year and the unit costs of Service personnel. Impact indicators include a measure of progress towards a stable and secure Afghanistan and the percentage of Service personnel that are deployable. The Department has also identified milestones to track implementation of priority activities under its Structural Reform Plan.

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

- Restructure the Armed Forces and their capabilities.
- Deliver the Armed Forces Covenant and develop the New Employment Model.
- Transform Defence.
- Deliver Defence in the most effective, efficient and sustainable way.

Testing the reliability of performance data across government

72 We have begun a three-year programme to examine the data systems underpinning the departmental business plan indicators and other key management information. In November 2012, we published the results of our examination of a sample of Ministry of Defence indicators and operational data systems used to report performance for the Department.¹⁹ 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.

73 Between November 2011 and January 2012, we assessed a sample of the data systems underlying the first tranche of indicators. In all, we reviewed three impact and three input indicators. In addition we reviewed six common areas of spend indicators.

74 We awarded numerical scores to the data systems for each indicator reviewed on a scale of 4 (data system fit for purpose and cost effectively run) to 0 (no system established to measure performance), based on the extent to which the Department has put in place and operated internal controls over the data systems that are effective and proportionate to the risks involved.

75 We assigned four Business Plan indicators (including the average percentage by which the cost of the equipment programme varies compared to forecasts in year) and three workforce indicators (such as average staff costs) a score of 4 (assessed as having data systems that are fit for purpose and cost-effectively run).

76 We assigned two Business Plan indicators – the additional cost of operations and the additional cost of new equipment (Urgent Operational Requirements) for operations in Afghanistan, per Service Person deployed – a score of 3 (assessed as data system that are adequate but some improvements could be made).

77 We assigned four Estates Indicators a score of 2 (assessed as having data systems that have some weaknesses which the Department is addressing). These indicators, for instance the total cost of office estate, are among the common areas of spend that all departments' report.

78 No indicators were assessed as having a score of 1 or 0.

79 Our validation work produced detailed recommendations for improvement to the presentation of the Quarterly Data Summary and measurement annex. We recommended, for example, that the publication of the Department's Equipment Plan will provide a good basis for future measurement over a longer time span and should give rise to new indicators which could be used to measure the Department's longer-term procurement performance.

80 The Cabinet Office has recognised the need to improve use of information across government. In the civil service reform plan²⁰ it set out its intention for departments to provide "good, comparable, accurate and reliable" management information. The Cabinet Office has given Lord Browne, as lead non-executive director across government, a remit to examine the information received by departmental boards. In addition, improving the quality of data is one of the key priorities within departmental Open Data Strategies, published in June 2012.²¹ Our work will consider these government initiatives on data quality, and we will continue to test the reliability of specific data systems.

¹⁹ National Audit Office, *Information Assurance Summary Reports, Ministry of Defence*, November 2012.

²⁰ resources.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf

²¹ Available at: www.cabinetoffice.gov.uk/content/open-data-white-paper-and-departmental-open-data-strategies

Issues identified in NAO work

81 We have published a number of reports and briefings related directly to the Ministry of Defence and its agencies, as well as a number of cross-government reports that refer to the Ministry of Defence.

82 Our VfM reports have been varied, focusing on high-level departmental or agency-wide issues (such as our briefing on *Reforming the Ministry of Defence*)²² and programme-specific reports (such as the *Major Projects Report 2012*). A number of themes have emerged across these reports, albeit to varying degrees.

83 We found in our programme-specific reports that there had been uninformed decision-making:

- Our report *Managing Change in the Defence Workforce* found that the Department's rapid reduction in personnel was happening in advance of the Department fully understanding how it would operate with significantly fewer staff. The Department acted decisively, but runs the risk that it will lose skills that it needs, worsening the current skills shortage. The report argues that a more targeted approach is needed to restructure the workforce and retain the skills that will be required in future. The report did not find evidence of real changes to ways of working, without which cutting headcount is likely to result in the Department doing less with fewer people or, alternatively, trying to do the same with greater risk.
- The cross-government report *Managing early departures* found that the Ministry of Defence saw the greatest absolute number of early departures in 2011.²³ The report highlighted that central government still lacks management information about skills, departments do not fully understand their skills requirements, or the skills of individuals in their business. The report cited the lack of civilian skills data within the Ministry of Defence which means it will struggle to target its programme of early departures on the skills it can most afford to lose.

84 The Department continues to experience increasing project costs and time delays creating an unstable platform from which to manage its budget:

- Our *Major Projects Report 2012* identified early signs that the Department has begun to make realistic trade-offs between cost, time, technical requirements and the number of, for example, ships, aircraft or vehicles to be procured. However, the variances to cost and time reported indicate it needs to do consistently better. The report also highlighted the limits to departmental control over the causes of cost and time variation. Forecast costs increased by £468 million in the past year, which reflects a net increase of £637 million on three projects, including £336 million of forecast fuel inflation on the Future Strategic Tanker Aircraft, and a net decrease of £169 million on the remaining projects. In some cases, such as fuel price inflation on the Future Strategic Tanker Aircraft, the Department has only very limited control over the causes of cost variation. On the Queen Elizabeth aircraft carriers project, the variation is due to Department and industry now having a greater understanding of the costs relating to the build schedule and not being able to fully deliver agreed cost reduction opportunities.

22 National Audit Office, *Reforming the Ministry of Defence*, February 2012.

23 Comptroller and Auditor General, *Managing early departures in central government*, Session 2010–2012, HC 1795, National Audit Office, March 2012.

85 The Department needs to review control processes in some areas:

- Our *Observations on the Ministry of Defence major investment approval process*, found that there have been some encouraging signs of improvement in the robustness of the approvals process in recent years but there remain a number of areas where a greater focus would add value.²⁴ Between 2009 and 2012, the Department took, on average, 120 decisions each year to start, continue or refocus its major projects and approved investments, worth a total of £41 billion. Our examination of the core approvals process found that the Investment Approvals Committee is an authoritative body and the approvals process is largely independent, although there are risks arising from perceived conflicts of interest. The report found the committee is supported by staff with good expertise and it is producing more probing scrutiny reports which are improving the evidence base for the committee's decisions. However, more could be done to understand and mitigate the burden of multiple review processes.
- The cross-government report *The Government Procurement Card* found that the Ministry of Defence accounted for around 74 per cent (£237 million) of central government's total spending using the Card in 2010-11, compared with HM Revenue & Customs which spent £205,000. Of the 23,998 Government Procurement Cards in use across central government (as at October 2011), around half of these are used in the Ministry of Defence.²⁵ The Ministry of Defence was one of five departments that featured in a case study that assessed controls and in which some significant issues were identified:
- few categories are blocked allowing cardholder more freedom over their purchases; and
- approvers check cardholders on a sample basis – size of sample depends on number of cardholders reporting to them, varies between 5 and 100 per cent.

86 The Department is embarking on a programme of transformation, however historic performance shows there are barriers to change:

- In February 2012, we published a *briefing for the Committee of Public Accounts* that set out the key elements of Defence Transformation as at 21 February 2012.²⁶ The report covered the Department's planned transformation and the governance structures it has put in place to manage its delivery. The remaining sections of the report examined how transformation seeks to address past problems with organisational structures and leadership; budgetary control and accountability; changing ways of working; and delivering military capability. Our previous reports and those of the Committee of Public Accounts show that successive reviews and past reorganisations have not substantially improved the Department's performance. However, the report acknowledges the Department's recognition of the fundamental problems which have adversely affected past performance. In particular, the desire to change cultures and behaviours and recognition of the importance of bringing spending back into balance with funding are positive.

87 In order for the transformation to succeed we concluded that the programme requires:

- a unified vision of what a Department fit to deliver the defence elements of the National Security Strategy will look like and a clear plan for how the transformation will deliver it;
- articulating, leading and sustaining cultural change as well as introducing revised structures and processes;
- strong, consistent and united leadership across the civilian, military and political spheres throughout the decade-long transformation; and
- the Permanent Under Secretary to have appropriate authority to execute the transformation and to hold those with responsibility for delivery of the Department's objectives to account.

24 National Audit Office, *Observations on the Ministry of Defence major investment approval process*, January 2013.

25 Comptroller and Auditor General, *The Government Procurement Card, 2010–2012*, HC 1828, National Audit Office, March 2012.

26 National Audit Office, *Reforming the Ministry of Defence*, February 2012.

Appendix One

The Ministry's sponsored bodies at 1 April 2012

Agencies funded through Ministry of Defence Top Level Budgets ²⁷

Service Children's Education

Executive non-departmental public bodies (NDPBs)

National Museum of the Royal Navy

National Army Museum

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

Science Advisory Committee on the Medical Implications of
Less Lethal Weapons

Veterans Advisory and Pensions Committees

Independent Monitoring Board for the Military Corrective
Training Centre, Colchester

Other Bodies

ABF The Soldiers' Charity

Council of Reserve Forces and Cadet Associations

Royal Hospital, Chelsea

Commonwealth War Graves Commission

Agencies operating as Trading Funds

Defence Support Group

Defence Science and Technology Laboratory

UK Hydrographic Office

Public Corporations

Oil and Pipelines Agency

²⁷ Agency status was removed from the Service Personnel and Veterans Agency on 16 June 2011 and from the People, Pay and Pensions Agency on 6 July 2011. The Defence Vetting Agency ceased to be an Agency with effect from 1 October 2011. Ministry of Defence Police & Guarding Agency ceased to be an Agency on 1 April 2012.

Appendix Two

Results of the Civil Service People Survey 2011

Question scores (% strongly agree or agree, % yes)	Civil service overall
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, Available at: www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service/people-survey-2011

Appendix Three

Publications by the NAO on the Department since 2008

Publication date	Report title	HC number	Parliamentary session
10 January 2013	Ministry of Defence: Major Projects Report 2012	HC 684-I	2012-13
4 January 2013	Observations on the Ministry of Defence major investment approval process	www.nao.org.uk/report/observations-on-the-ministry-of-defence-major-investment-approval-process/	
6 December 2012	Report of the Comptroller and Auditor General on the 2011-12 Accounts of the Ministry of Defence	www.nao.org.uk/publications/1213/mod_accounts_2011-12.aspx	
9 November 2012	Information Assurance Summary Report: Ministry of Defence	www.nao.org.uk/publications/1213/review_data_systems_for_mod.aspx	
24 September 2012	NAO briefing for the Committee of Public Accounts	www.nao.org.uk/publications/1213/reforming_the_mod.aspx	
28 June 2012	Managing the Defence inventory	HC 190	2012-13
19 March 2012	Review of the Conflict Pool	www.nao.org.uk/publications/1012/review_of_the_conflict_pool.aspx	
9 February 2012	Managing change in the Defence workforce	HC 1791	2010-2012
28 November 2011	Carrier Strike: Supplementary Report	HC 1657	2010-2012
16 November 2011	Ministry of Defence: Major Projects Report 2011	HC 1520-1	2010-2012
10 October 2011	A summary of the NAO's work on the Ministry of Defence 2010-11	www.nao.org.uk/publications/1012/departamental_overview_mod.aspx	
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
7 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	www.nao.org.uk/report/performance-of-the-ministry-of-defence-2009-10-briefing-for-the-house-of-commons-defence-committee/	
2 March 2011	Management of the Typhoon Project	HC 744	2010-11

Publication date	Report title	HC number	Parliamentary session
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
8 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	www.nao.org.uk/report/short-guide-to-the-naos-work-on-the-ministry-of-defence/	
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
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
5 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
4 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
4 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
31 October 2012	Certificate and Report of the Comptroller and Auditor General: Whole of Government Accounts 2010-11	HC 687	2012-13
25 September 2012	A snapshot of the use of Agile delivery in central government	www.nao.org.uk/report/a-snapshot-of-the-use-of-agile-delivery-in-central-government-4/	
20 June 2012	The effectiveness of internal audit in central government	HC 23	2012-13
2 May 2012	Assurance for major projects	HC 1698	2010-2012
20 March 2012	The Government Procurement Card	HC 1828	2010-2012
15 March 2012	Managing early departures in central government	HC 1795	2010-2012
2 February 2012	Cost reduction in central government: summary of progress	HC 1788	2010-2012
29 November 2011	Certificate and Report on the Comptroller and Auditor General: Whole of Government Accounts 2009-10	HC 1601	2010-2012
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
6 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
5 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

Reports from the Committee of Public Accounts since 2009

Publication date	Report title	HC number	Parliamentary session
25 May 2012	Eighty-eighth Report – Ministry of Defence: Managing Change in the Defence Workforce	HC 1905	2010–2012
10 February 2012	Sixty-eighth Report – Ministry of Defence: The Major Projects Report 2011	HC 1678	2010–2012
9 December 2011	Fifty-ninth Report – The Cost Effective Delivery of an Armoured Vehicle Capability	HC 1444	2010–2012
29 November 2011	Fifty-sixth Report – Providing the UK's Carrier Strike Capability	HC 1427	2010–2012
19 August 2011	Forty-third Report – the Use of Information to Manage the Defence Logistics Supply Chain	HC 1202	2010–2012
24 May 2011	Thirty-seventh Report – Departmental Business Planning	HC 650	2010–2012
15 April 2011	Thirtieth Report – Management of the Typhoon Project	HC 860	2010–2012
21 February 2011	Twenty-third Report – The Major Projects Report 2010	HC 687	2010-11
14 December 2010	Tenth Report – Managing the Defence Budget and Estate	HC 503	2010-11
29 March 2010	Twenty-seventh Report – Ministry of Defence: Treating injury and illness arising on military operations	HC 427	2009-10
23 March 2010	Twenty-third Report – Ministry of Defence: Major Projects Report 2009	HC 338	2009-10
10 February 2010	Thirteenth Report – Excess Votes 2008-09	HC 360	2009-10
20 October 2009	Forty-first Report – Service Families Accommodation	HC 531	2008-09
13 October 2009	Fifty-fourth Report – Ministry of Defence: Support to High Intensity Operations	HC 895	2008-09
23 June 2009	Thirtieth Report – Ministry of Defence: Type 45 Destroyer	HC 372	2008-09
15 May 2009	Twentieth Report – Ministry of Defence: Major Projects Report 2008	HC 165	2008-09
19 March 2009	Eleventh Report – The United Kingdom's Future Nuclear Deterrent Capability	HC 250	2008-09
5 March 2009	Eighth Report – Ministry of Defence: Chinook Mk 3	HC 247	2008-09
15 January 2009	First Report – Defence Information Infrastructure	HC 100	2008-09

Recent reports from Central Government

Publication date	Report title
December 2012	The United Kingdom's Future Nuclear Deterrent: 2012 Update to Parliament
December 2012	Ministry of Defence, Annual Report 2011-12
December 2012	Armed Forces Covenant Annual Report 2012
June 2012	Ministry of Defence Capability Review and Action Plan 2011-12
May 2012	Ministry of Defence, 2012–2015 Business Plan
September 2011	Ministry of Defence, Nuclear Liabilities Management Strategy
July 2011	Department for International Development, Foreign & 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 2011–2015
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

June 2012	Capability Action Plan
March 2009	Phase Two, Capability Review
March 2008	Phase One, One Year Update
March 2007	Phase One, Capability Review

Where to find out more

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

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