



National Audit Office

DATA ASSURANCE SUMMARY REPORTS

Ministry of Defence

Background and scope

- 1** Performance data can comprise a number of different types including externally reported indicators, performance measures for the board and performance information to inform day-to-day management decisions. In 2012, the government published updated departmental business plans. These focused on coalition priorities and are monitored by a set of input and impact indicators. Departments are expected to publish performance against these indicators quarterly.
- 2** The National Audit Office has undertaken to review the input and impact indicators systems of all central government departments and a sample of back-office and operational data systems. Our first review was carried out in 2011-12, and a summary report was published on each department.¹ This report covers our second review on the Ministry of Defence (the Department) in which we examined five indicators selected from the published business plan 2012–2015, dated 31 May 2012.
- 3** The Business Plan Indicators (BPI) selected for validation in 2012-13 are:
 - Indicator 4 – Cost of major force elements, per ship, per brigade, per aircraft (fixed wing), per helicopter; (input indicator).
 - Indicator 7 – Number of service and MoD civilian personnel deployed on all operations in a year; (impact indicator).

¹ Available on the National Audit Office website at: www.nao.org.uk/search/pi_area/data-assurance-summary-reports/type/report

- Indicator 8 – Percentage of service personnel that are deployable; (impact indicator).
 - Indicator 9 – Number of force elements showing critical or serious weakness against the total number of force elements for Strategy of Defence priorities (impact indicator).
 - Indicator 13 – Cost to benefit ratio of the most critical programmes within the Defence Transformation Portfolio that have first business case approval (other key data).
- 4** This report provides an overview of the results of our assessment. It does not provide a conclusion on the accuracy of the outturn figures included in the Department's performance statements. This is because the existence of sound data systems reduces but does not eliminate the possibility of error in the reported data.
- 5** Our conclusions are summarised as numerical scores. The 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.
- 6** Furthermore we have also reviewed the performance information provided to the Department's board; and the associated controls over the reported information; as well as the match between the indicators the Department publishes, the operational data used to run themselves and the priorities and key business areas of the Department, including the coalition priorities.

Overview

- 7** The Ministry of Defence Business Plan 2012–2015 sets out the coalition priorities (Structural Reform Priorities) and the indicators and other key data which the Department states it has adopted to help the public assess the effects of policies and reforms on the cost and impact of public services.
- 8** The Plan highlights the four Structural Reform Priorities for this period:
- Restructure the Armed Forces and their capabilities;
 - Deliver the Armed Forces Covenant and develop the New Employment Model;
 - Transform Defence; and
 - Deliver Defence in the most effective, efficient and sustainable way.
- 9** The Ministry of Defence is one of only two departments which did not map the indicators to its Structural Reform Priorities as part of its published business plan or reporting. As part of our work we reviewed how the indicators linked to the priorities. We noted that several do not provide the best insight into the Department's progress against the Structural Reform Priorities; the Department could do more to consider a better range of measures; for example, Defence transformation is central to the Department's ability to reduce costs and improve its effectiveness but the indicator focusing on this critical priority is poorly reported and does not measure progress or success. The Department takes the view that the sensitivity, nature and breadth of its business make it difficult to measure performance comprehensively within the confines of a small number of published indicators. The Department believes its selected indicators cover the key areas of public interest.

10 The House of Commons Defence Committee in its report on the MoD Annual Report and Accounts 2011-12 (HC 828) recommended that the Department review its performance reporting to identify more useful information which can be made available to Parliament and the public. In its response to the Committee's report it has agreed with the need to improve performance information, and will be seeking the Committee's view on what further information would be useful.

11 The Department has made the decision to remove four performance indicators which were included in the previous Business Plan for 2011-2015. We understand this was done in consultation with the Cabinet Office and HM Treasury to reduce the number of indicators. The Department decided to drop those indicators it considered to be of limited value, or where it proved difficult to produce robust measurable data. As a result some elements of the Department's business are no longer reported; for example, following the removal of the indicator on percentage of non-front-line costs versus front-line costs, split by Service, and covering back office/front office cost-efficiency, for which there is now no published indicator.

12 The business plan contains an undertaking to regularly publish the indicators and other key data online. Until July 2012, government departments reported progress against these indicators within a framework of Quarterly Data Summaries. The Department published an update for the first quarter of 2012-13 which reported against the indicators and other key data. As at 20 March 2013, the Department had not published any further performance reporting against the indicators and other key data for 2012-13. In our view this represents a weakness in the transparency framework and the Department's stated commitment in its business plan. The Department will publish reporting against the indicators in its Annual Report and Accounts 2012-13.

Reporting to the board

13 As part of our review of the Department's wider use of data we examined the overall coverage of information reported to the Defence Board. The board receives Quarterly Performance and Risk Reports (QPRR) which are based around a framework of nine Defence Board Strategic Objectives (DBSOs). These DBSOs have been formulated from the Defence Plan and Defence Strategic Direction, and are aligned with the focus of the Department's strategy. We noted that while the data reported for the business plan indicators (BPI) are among the many sources on which judgements for some DBSOs are based, the BPIs themselves are not used as the framework for reporting, nor are they explicitly reported to the board. The Department's view is that the business plan indicators are not intended to capture all of the information required by the board, and that aggregation of information is necessary to enable sensitive information to be placed in the public domain. Since the fieldwork was undertaken for this report, the Department has introduced monthly reporting to the Defence Board. While this does not cover the BPIs, the Department sees it as a further improvement in the quality and frequency of management information seen by the Defence Board.

14 It is important to have robust systems in place to ensure that information provided as part of the decision-making process is complete and accurate. In some cases we found good practice in terms of data verification, for example where supporting data was verified by the Defence Analytical Services Agency (DASA) in the case of reporting Service Personnel (DBSO 6) and Civilian Workforce (DBSO 7). The Department should consider the extent to which independent validation of key performance metrics is subject to the Department's internal audit scrutiny.

Our assessment of data systems

15 We reviewed five indicators and assigned each indicator a numerical score, based on the extent to which the Department has put in place and operated internal controls over the data system that are effective and proportionate to the risks involved.

16 The table in **Figure 1** summarises our assessment of the data systems underlying the indicators examined.

17 In our previous report we highlighted that indicators relating to operations in Afghanistan were measured on the basis of endorsed manning levels reported to Parliament, rather than the actual number serving during the period. We recommended that the measurement criteria should enable the reader to understand the risks associated with the data and the context in which indicators are reported.

Figure 1

A summary of the results of our data assurance exercise

Score	Meaning	Indicators we reviewed
4	The indicator's data system is fit for purpose	Indicator 8: Percentage of service personnel that are deployable (Impact)
3	The indicator's data system is fit for purpose but some improvements could be made	Indicator 7: Number of service and MoD civilian personnel deployed on all operations in a year (Impact) Indicator 9: Number of force elements showing critical or serious weakness against the total number of force elements for Strategy of Defence priorities (Impact)
2	The indicator's data system has some weaknesses which the Department is addressing	
1	The indicator's data system has weaknesses which the Department must address	Indicator 4: Cost of major force elements (FE): ship, brigade, aircraft (fixed wing) and helicopter (Input)
0	No system has been established to measure performance against the indicator	Indicator 13: Cost to benefit ratio of the most critical programmes within the Defence Transformation Portfolio that have first business case approval (other key data) ¹

NOTE

¹ The Department decided to drop this indicator during 2012-13 and hence has not sought to collect data.

Source: National Audit Office

18 This issue arose again during our review this year. Although the measurement annex published by the Department stated that cost of providing the capability was being reported, our work on Indicator 4 – Cost of major force elements (FE): ship, brigade, aircraft (fixed wing) and helicopter – found that the actual manpower and equipment cost of each force element was not being reported, but instead the budgeted percentage for the force element was being applied to the overall total cost. Consequently the indicator does not report the actual cost of force elements.

19 Indicator 13 – Cost to benefit ratio of the most critical programmes within the Defence Transformation Portfolio that have first business case approval – was reworded and reclassified to the status of other key data in the business plan 2012–2015. The original indicator had been ‘Cost to benefit ratio of the major change and efficiency programmes being undertaken in Defence’. Subsequently the Department informed us it has agreed with the Cabinet Office and HM Treasury to drop the reworded indicator and hence has not sought to collect data. This was mainly because of difficulties in providing comparable figures against a portfolio that comprises a continually changing population of projects and programmes. Since the indicator was included in the original plan we concluded that no system had been established to measure performance for the period prior to the agreement to stop reporting the indicator. With this change the Department now has no reportable indicators on Defence Transformation, one of its most critical and important business objectives. We regard this as a key omission from the reportable metrics in respect of the Department’s delivery of its key objectives.

20 On Indicator 9 – ‘Number of force elements showing critical or serious weakness against the total number of force elements for Strategy of Defence Priorities’ – we found there was no central criteria established to support a consistent process across air, land and sea environments, although we recognise that military judgements underpin the assessment.

Recommendations

21 Our main recommendations are:

22 To improve accountability, the Department should review the frequency with which it publishes details of its performance against the business plan indicators and key data. Although the Permanent Secretary and Director General of Finance do have sight of business plan indicator data before publication, the Defence Board should also consider whether it needs to be informed of business plan indicator data prior to its publication in order to consider the adequacy of reported data and to ensure they are cited on any reputational risks.

23 The Department should review the adequacy and coverage of the indicators with the aim of linking these more closely to the Department’s progress against the Structural Reform Priorities including transformation of defence.

24 The adequacy of data systems and the assurance processes that underpin the reporting of BPIs and other data should be regularly considered and form part of the Department’s regular ongoing assurance processes.

25 The Department should review the findings from our assessment of BPIs and ensure that the disclosure of the basis of measurement is sufficiently and accurately reflected in the measurement criteria, providing the reader with an understanding of the context and reliability of the reported indicators.