



Foreign &  
Commonwealth  
Office

# Accounting Officer System Statement

Foreign & Commonwealth Office

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# Statement of Accounting Officer's Responsibilities

I am the Principal Accounting Officer for the Foreign & Commonwealth Office. This system statement summarises how I fulfil my responsibilities as an accounting officer, in accordance with HM Treasury's (HMT) guidance set out in Managing Public Money, and within the responsibilities and controls as set out in my delegated authority letter from HMT.

My department leads the Government's international efforts to protect and promote British interests. This system statement summarises the accountability relationships and processes within my department, making clear who is accountable for what.

The Foreign Secretary and other departmental ministers have a duty to Parliament to account for, and be held to account for, the policies, decisions and actions of this department and its agencies. They look to me as the department's accounting officer to support them in making policy decisions and handling public funds, and to delegate appropriately within the department to deliver their decisions.

As accounting officer, I am personally responsible for safeguarding the public funds for which I have been given charge under the Foreign & Commonwealth Office Estimate. Where I have appointed additional accounting officers, their responsibilities are also set out in this system statement.

The system statement covers the core department, its arm's length bodies and other arm's length relationships. It describes accountability for all expenditure of public money through my department's Estimate, all public money raised as income, and major contracts and outsourced services.

This system statement describes the accountability system which is in place at the date of this statement, and which will continue to apply until a revised statement is published.

Simon McDonald

October 2017

Accounting Officer Foreign and Commonwealth Office  
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## Overview of system

The FCO protects British nationals and safeguards our national security by countering terrorism, weapons proliferation and other state and non-state based threats. We support British nationals around the world through modern and efficient consular services, a state of high crisis readiness, and a swift and effective crisis response.

We use our global influence and diplomatic network to protect and promote our interests and values, supporting our security and prosperity. We aim to be the leading soft power nation. We work with our allies and partners to strengthen, adapt and extend the rules-based international order and its institutions, enabling further participation of growing powers. We tackle conflict and build stability overseas, and help others develop their resilience and preparedness, including for the global challenges of climate and health security.

We build the UK's prosperity by increasing exports and inward investment, opening markets, ensuring access to resources and promoting sustainable global growth.

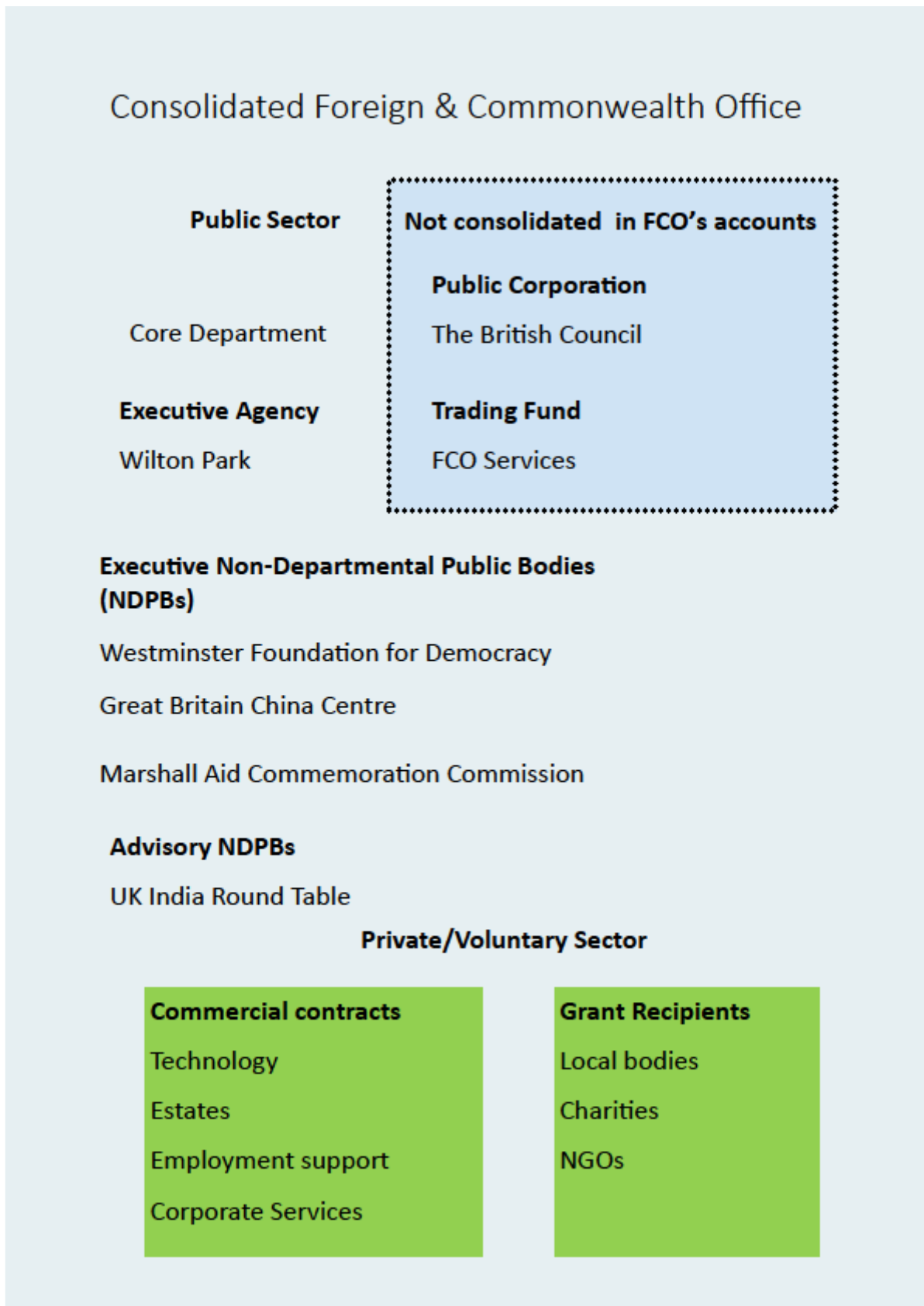
The FCO's Single Departmental Plan (SDP) sets the overall policy, how we plan to implement our strategic objectives, government priorities, corporate goals and make efficiency savings. The current SDP runs until 2020. This acts as a framework for how we work with our sponsored bodies, and overseas partners.

The FCO is the sponsoring department for an executive agency, three executive NDPBs and one advisory NDPB. It also sponsors the British Council (a public corporation, NDPB and Charity) and FCO Services (which is a trading fund and an agency).

The FCO works with other central government departments, overseas governments and a range of non-governmental organisations (NGOs). A diverse set of funding arrangements are used to deliver the FCO's policies around the globe.

Diagram 1 shows the various parts of the system we use to deliver the SDP, and how they are organised.

Diagram 1:



## Core Department

The FCO's governance structure is made up of a number of boards and committees, each with its own remit. At the top of the governance structure is the Supervisory Board, which is chaired by the Secretary of State. The Supervisory Board advises on strategic and high level operational issues affecting the FCO. The Management Board, chaired by the Permanent Under-Secretary (PUS), provides the FCO's top official level leadership and includes two non-executive directors. The Management Board generally meets monthly. The Management Board is supported in reviewing and scrutinising areas of importance by the following subcommittees:

Executive members of the Management Board meet weekly as the Executive Committee (ExCo), which has delegated authority to make decisions on certain issues. This committee also monitors the implementation of agreed policies, and agrees proposals not requiring Management Board attention. Twice per year ExCo meets as the Health and Safety Committee, including inviting a relevant broader membership.

The Audit and Risk Assurance Committee (ARAC) supports the Management Board and PUS as Accounting Officer to ensure there are effective arrangements for governance, risk management and internal control. It reviews the comprehensiveness, reliability and integrity of assurances provided to the Management Board and PUS; challenges the executive; and promotes best practice across the FCO, but has no executive responsibilities.

The Investment, Infrastructure & Operations Committee provides oversight and assurance of the FCO's Estates, IT, project, programme and other investments. It is chaired by the Chief Operating Officer and has delegated authority from the Management Board to take investment decisions between £2m and £15million (£1million and £5million for IT). If decisions are required above this threshold then the Committee makes a recommendation to the Management Board. The Committee ensures decisions offer value for money and meet the business needs of FCO and One HMG overseas. The Committee provides the same level of oversight on FCO programme spending with scrutiny focussed on capacity, delivery model, financial requirements and fiduciary risk.

In October 2016 ExCo agreed to integrate FCO policy programmes fully into the strategic decision-making of the organisation through a portfolio approach, as recommended by HM Treasury (HMT). It was decided to set up a Policy Programme Portfolio Board as the main governance body. For the sake of simplicity the Portfolio Board will consist of ExCo members, chaired by the PUS and meet when ExCo does. The Portfolio Board's role is to set the strategic direction and risk parameters of the portfolio within the context of the FCO's wider objectives and activity. The first meeting of ExCo in its new Portfolio Board format was in September 2017.

The portfolio approach treats policy programme funds like an investment portfolio, focusing on alignment, accountability and scrutiny from a strategic and corporate perspective. It aims to:

- Provide visibility of policy programme investments and the balance of risks represented by these;
- Ensure strategic decisions on the geographic and thematic spread of programme funds;
- Help make decisions about how programme investments fit in the overall balance of FCO activities and spend.

The National Audit Office (NAO) is the external auditor of the Core Department, the FCO Group and other FCO sponsored bodies, and provides an additional line of independent assurance. The NAO is responsible, on behalf of Parliament, for holding the FCO to account for its use of public money. The NAO audits the FCO Group's Annual Report and Accounts and provides a public audit opinion, as well as carrying out value for money studies and thematic investigations.

Across the public sector Arms Length Bodies (ALBs) are grouped into a number of classifications agreed with Cabinet Office and the Office of National Statistics (ONS). These include Executive Agencies, Non-Departmental Public Bodies, Non-Ministerial Departments, Public Corporations, and Non-Classified Government Entities. There are some ALBs that hold more than one classification, reflecting the particular delivery model adopted when it was initially set up. For instance Trading Funds are an exceptional form of Executive Agency which are also classified by ONS as public corporations.

The Department's ALBs include the following public sector bodies.

### **Executive Non-departmental Public Bodies (NDPBs)**

The FCO sponsors three NDPBs: Great Britain China Centre, Marshall Aid Commemoration Commission, and Westminster Foundation for Democracy. These NDPBs are governed by their own independent boards and each has separate governance and internal assurance structures. Further details on individual NDPB governance and internal assurance structures can be found in their Annual Report and Accounts.

The FCO's role in the governance structure of NDPBs is that Ministers appoint NDPB board members, in accordance with the Commissioner for Public Appointments' Code of Practice for Ministerial Appointments to Public Bodies. This gives the FCO oversight over the individuals who will be governing each NDPB.

Each of the NDPBs has an Accounting Officer appointed by the PUS, and each produces its own accounts. While NDPBs enjoy a certain level of autonomy over their own affairs, a Framework Agreement is in place to agree the conditions of expenditure of the grant-in-aid (GIA). They are signed by the Chair, Chief Executive or equivalent of the external body, and the Budget Holder and Director within the FCO providing the funds.

The FCO's relationship with each NDPB is agreed and set out in a published Framework Agreement. This includes sections on funding levels, jointly agreed priorities, performance measures, engagement, financial controls and the governance framework. This formalises the relationship between FCO and the NDPB and establishes accountability, responsibilities and monitoring activities. The Framework Agreement also sets out where the NDPB is held to account for delivering its priorities. The content of the Framework Agreements are monitored annually.

Each NDPB has a sponsor team. This is a team within FCO that is the primary contact for the NDPB and takes on the day to day responsibility for the NDPB's relationship with the Department, and for monitoring the delivery of its policy/operational priorities. The overall aim is that the relationship between the sponsor team and the NDPB should be open and transparent, to ensure that information flows freely.



NDPBs are assessed against four categories – leadership, systems, results and external environment. An assessment of each body against these categories is carried out at least once in every Parliament, as a precursor to producing the new framework agreements. This is designed to ensure that the framework agreements are tailored according to an up-to-date analysis of track record, strengths and weaknesses, and operating environment.

In February 2017, the Cabinet Office launched a Code of Good Practice for developing partnerships between departments and ALBs. The code sets out four overarching principles of good practice – Purpose, Assurance, Value and Engagement (PAVE) – as the starting point for bringing greater consistency to this relationship. The FCO is engaging with its ALBs to fully align with the Code of Good Practice.

The previous Triennial Review process has now been replaced by Tailored Reviews in line with Cabinet Office guidance. Tailored Reviews are undertaken at least once in the lifetime of a Parliament. These reviews challenge the supposition that the body should continue to be required, as well as looking at the body's efficiency in delivering the agreed objectives.

### **Advisory NDPB: UK India Round Table**

The one advisory NDPB is largely independent, it has two main functions: of providing advice and strengthening the bilateral relationship. The advisory body has no permanent personnel as it is only assembled on an ad hoc basis. On this basis, there are no formal accountability relationships in place with the advisory body.

### **Executive Agency: Wilton Park**

Wilton Park is an Executive Agency of the FCO. As such it is a business unit within the Department, which is managerially separate but without the same level of legal separation as NDPBs. Wilton Park acts as an arm of FCO, and is responsible for undertaking particular executive functions of the Department.

Its principal objective is to support the delivery of the FCO's strategic priorities through convening foreign policy discussions. Wilton Park receives funding direct from the FCO. For 2017/18 this is £2.15m, including ODA funding. Wilton Park also derives approximately 60% of its income from charges for its services from FCO departments, other government departments, foreign ministries, NGOs and business.

The Chief Executive is appointed by the PUS / PAO as Accounting Officer (AO) for Wilton Park. Communication Directorate in the FCO is responsible for managing the overall relationship and the Director of Communication is the Senior Departmental Officer (SDO). Wilton Park's accounts are consolidated within FCO accounts and FCO therefore obtain continuous sight of financial performance: monthly management accounts are shared with the FCO's SDO and Finance Manager.

The Wilton Park Board comprises of a non executive Chair, Chief Executive, three non executive directors and three senior FCO officials, one of whom is the SDO. It meets five times a year to oversee the leadership and direction of Wilton Park and ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board has established an Audit and Risk Assurance Committee (ARAC) as a Committee of the Board, chaired by an independent non-executive member to provide

independent advice. The ARAC meets at least 3 times a year and the outcomes of ARAC are reported to the Board.

## **Public Corporation: British Council**

### *Background*

The British Council is a registered charity, a public corporation and an NDPB of the FCO. ONS have classified the British Council as a Public Non-Financial Corporation, with Cabinet Office classifying it as an NDPB. The Council was created by a Royal Charter which defines its charitable aims and specifies its purpose. It is not under day-to-day ministerial control, as it maintains operational independence from Government. However within the objects of the Charter and the Council's charitable status, the Board of Trustees and the Foreign Secretary have defined the overall aim of the British Council as follows: to create international opportunities for the people of the UK and other countries and build trust between them worldwide.

### *Governance*

The Management Statement and the Financial Memorandum are the framework documents which define the relationship between the Council and Government. The delegated authority limits set by HMT are included in the Financial Memorandum. The Foreign Secretary accounts for the activities and performance of the British Council in Parliament and he approves the amount of grant-in-aid to be paid to the British Council.

The appointment of the Chair and Chief Executive of the British Council are subject to the Foreign Secretary's prior approval. The Chair and other Board members are responsible for ensuring that the British Council fulfils its aims and objectives set in agreement with the Secretary of State. The FCO's Permanent Under-Secretary as Principal Accounting Officer designates the British Council's Chief Executive as Accounting Officer. As Accounting Officer, the Chief Executive is personally responsible for safeguarding the grant-in-aid funds for which he has charge, for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the British Council.

### *Sponsorship*

The sponsorship relationship is managed through regular meetings between officials in the FCO and those from the British Council.

## **Trading Fund: FCO Services (FCOS)**

FCOS is an agency of FCO, and has also been a trading fund since April 2008. As a trading fund it generates its own income to fund its activities. This takes FCOS outside of the Supply process as it receives no financial support from FCO. FCOS is not a separate legal entity and remains part of FCO. Ultimate responsibility for FCOS as an organisation rests with the Foreign Secretary, who delegates responsibility to an FCO Minister. A Framework Agreement summarises the relationship between FCOS and FCO in more detail.

FCOS delivers a range of secure products and services; as well as protecting people, property, information and data assets for the FCO, other UK government departments and the public sector; foreign governments; and international organisations closely linked to the UK. Their services include secure cloud technology, consultancy, cyber and technical security, monitoring, protective security, overseas technical support, secure logistics, estates and construction, translation and interpreting.

The FCO holds an investment in FCOS, comprised of 100% of its Public Dividend Capital of £4,981,000. As a public corporation FCOS is not included within the FCO departmental boundary.

FCO Services' financial performance is measured against two key financial performance indicators: In year surplus before interest, and Return on Capital Employed (ROCE). An annual statutory dividend is payable to the FCO. The charge is calculated at a rate set by HMT on the average capital employed during the year.

There is also a target for FCOS to achieve an annual discretionary dividend to the FCO of at least £1.5m. The discretionary dividend is paid to the FCO after taking into account the future investment needs of the Trading Fund.

## Grants

In December 2016, Cabinet Office introduced government grants minimum standards to ensure that taxpayers' money, awarded through government general grants, is spent as intended. The standards have been embedded in FCO's grant process and we gain assurance of compliance through the programme cycle and control framework which are well aligned with the standards. The FCO is continuing to work with Cabinet Office to further strengthen our alignment with the standards.

In common with other government departments, the FCO enters into contracts with large numbers of third party suppliers of both services and equipment in the normal course of its business.

The FCO has a grant-based relationship with BBC World Service (BBCWS), which is part of the BBC. The BBC is a sponsored body of the Department of Digital, Media, Culture and Sport (DCMS).

The BBC World Service is established under the same Royal Charter as the BBC's UK services. The BBC Executive Board is accountable to the BBC Trust for the Service's performance. The Foreign Secretary agrees, jointly with the BBC Trust the Service's objectives priorities and targets, although editorial control rests entirely with the BBC.

The grant relationship is managed through regular meeting between officials in the FCO and the BBC World Service. Responsibility in FCO lies with the Director of the Campaigns and Engagement Team. Other meetings take place as required, at official level. The BBC provides quarterly financial and activity reports, and report annually on progress against targets and other metrics.

## Major Contracts

All contracts are tendered in compliance with the EU Public Procurement Directives and the UK Public Procurement Regulations 2015. This legislation requires authorities to observe the principles of equal treatment, non-discrimination, transparency and proportionality. The FCO's contracts are competitively tendered following a set of standard processes set out in the regulations.

As discussed under the Core Department, the Investment, Infrastructure & Operations Committee provides oversight and assurance of the FCO's Estates, IT, project, programme and other investments. The Committee consequently has oversight, and provides assurance upon, all major contracts made by FCO and One HMG overseas.

The Infrastructure and Projects Authority (IPA) oversees major projects across government. A project is defined as a 'major project' if it meets any of the following criteria:

- It requires HM Treasury approval.
- It could lead to a breach in departmental expenditure limits.
- It involves significant levels of unplanned spending.
- It could set an expensive precedent.

The Government's transparency policy, which was agreed by Cabinet, governs the publication of data relating to major project delivery performance. The IPA publishes an annual report each year as part of the government's commitment to transparency. The annual report tracks the progress of projects currently in the Government Major Projects Portfolio (GMPP) and provides analysis of how they're performing. Each government department also publishes more detailed data about their projects as well as lists of GMPP Senior Responsible Owners and their appointment letters.

The latest IPA Annual Report was published in July 2017 and can be found at <https://www.gov.uk/government/collections/major-projects-data>.

The FCO had four major projects that were underway at the time of the 2017 IPA Report:

**Abuja main residence and office** – To provide a secure modern fit for purpose HM Government compound for both the British High Commissioner and DFID in Abuja, Nigeria.

**UK Estates Reform Project (ERP)** - The project supports the wider Cabinet Office strategy of consolidating the HMG Estate in Central London in KCS. The project will deliver savings from 2016/17 in operating costs.

**Movement of Heavy Baggage, unaccompanied air freight and car freight** – A single contract was awarded in August 2016 to Pickfords Move Management to oversee the movement of FCO and wider HMG personal effects overseas. The contract duration was for three years, with an optional two year extension. The Project supports the One HMG agenda, as the contract is available for use by different departments.

Benefits included improved consignment tracking tools, better regular management information, and a new method of tracking savings achieved beyond the contracted pricing. Overall 'core' savings on the contractual Management Fees amounted to £260,000 over the life of the contract

**Technology Overhaul** – Tech Overhaul is a transformation programme designed to drive a step change in the way that FCO staff perform their duties by providing modern and efficient IT tools.

There are many strands to the programme, leading to new contractual arrangements under existing FCO Frameworks and resulting from procurements in 2015 and 2016. The last 12 months have seen intensive negotiation with suppliers as Tech Overhaul moves into delivery phase. Main elements of this include commercial negotiation on devices and global deployment. The Tech Overhaul programme will support secure flexible working, easier

collaboration across all UK departments on the FCO overseas platform, whilst creating a smaller physical IT estate and removing the need to upgrade and update old infrastructure.

The first two of these major projects have now completed. In addition the FCO has the following major contractual arrangements now in place:

**Falkland Islands De-mining** – Two contracts were awarded to Dynasafe Bactec (Land Release) & Fenix insight (Project Office), commissioning work to clear thousands of landmines from the Falkland Islands, in a new £20m phase of de-mining work. Expert teams will clear 46 minefields over the next two years and carry out surveys to prepare for the clearance of another 27, as the UK continues to work towards fully clearing mines from its territories – in line with its obligations under the Ottawa Treaty, which sets out the worldwide approach to landmine removal. This project is just one of many UK Mine Action projects around the world. In 2015 alone, UK Mine Action led to the removal of over 22,000 landmines and explosive remnants of war.

**Security Operating Centre (SOC)** - The FCO is responsible for protecting the overseas One HMG IT network from activities that could damage its reputation, through providing a modern, fit for purpose SOC that effectively monitors traffic and protects from potential harm.