



UK Co-ordinating Body

UK Co-ordinating Body  
Business Plan  
2015 to 2016



# Table of Contents

|  |           |
|--|-----------|
| <b>Foreword by the Director .....</b>                                    | <b>2</b>  |
| <b>Section 1 - Strategic framework and 2015/16 targets .....</b>         | <b>4</b>  |
| Purpose and Vision .....   | 4         |
| Objectives .....   | 5         |
| Performance Indicators.....  | 5         |
| Targets for 2015/16 .....  | 6         |
| Critical Success Factors .....   | 7         |
| Values.....  | 7         |
| <b>Section 2 - Work Programme for 2015/16 .....</b>                      | <b>8</b>  |
| Co-ordination, harmonization, financial control and risk management ...  | 8         |
| Competent Authority work .....   | 11        |
| Working with other Member States .....                                   | 11        |
| <b>Section 3 - Resources and Staff Development.....</b>                  | <b>13</b> |
| <b>Section 4 - Corporate Governance and Risk Management .....</b>        | <b>15</b> |
| <b>Appendix - Financial management of the Common Agricultural Policy</b> | <b>16</b> |

# Foreword by the Director

This business plan sets out the strategy for the UK Co-ordinating Body (UKCB), including its high-level objectives, performance indicators and associated targets. As explained further below, UKCB will take on responsibility for the UK Certifying Authority role for the European Fisheries Fund (EFF) and European Maritime and Fisheries Fund (EMFF) from 1 April 2015 in addition to its existing responsibilities for the CAP.

The performance indicators and targets make it straightforward to assess whether UKCB is successfully achieving its objectives. These, set out in chapter 1, cover co-ordinating CAP administration, supporting the Competent Authority, mitigating the risk of disallowance and suspension of reimbursements, maintaining the UK CAP beneficiary website, carrying out the functions of the EFF/EMFF Certifying Authority and managing resources efficiently and effectively.

The four basic CAP reform regulations were published in December 2013 and the delegated and implementing acts were published between March and August 2014. The new direct payments regime applies from claim year 2015. CAP reform will significantly affect UKCB's work. The scope of the annual certification audit increased significantly with the introduction of the audit of legality and regularity from financial year 2015 (claim year 2014). The CAP beneficiary system has been redeveloped to take account of the new transparency rules. The CAP delegated and implementing acts and associated guidelines must be implemented in a harmonized manner across the UK.

UKCB will continue to meet its regulatory responsibilities in respect of co-ordination, including EU audit enquiries, financial and statistical returns, the Agricultural Funds Committee and UK harmonization groups. UKCB will work closely with UK paying agencies and other Member States to identify issues arising from the implementation of CAP reform in areas such as greening, mapping requirements and rural development programmes. UKCB is also the nominated body in charge of setting up and maintaining the single UK CAP beneficiary website. Further details are given in section 2.2 below.

In its role as Secretariat to the Competent Authority (see section 2.3 below) UKCB will continue to oversee the Certification Audit and monitor the implementation of corrective actions by paying agencies. The introduction of the mandatory audit of legality and regularity of expenditure significantly extended the scope of the annual certification audit from financial year 2015 (claim year 2014) and first audit opinions under the new regime will be submitted to the Commission in February 2016. UKCB has engaged with the Commission to ensure that future audit requirements are proportionate and fully-understood.

UKCB will engage with other Member States, particularly through the Conference of Paying Agency Directors, the Learning Network of EU paying agencies and Panta Rhei (see section 2.4).

UKCB has achieved significant efficiency savings both in respect of its own staffing and in the work carried out by the Certifying Body. However, the new certification audit requirements will increase costs by £1.2 million. At the same time UKCB's budget has been reduced by £0.2 million on a like-for-like basis (from £1,997k in 2014/15 to £1,779k in 2015/16). There is an estimated shortfall of £1.3 million for the certification audit, which will need to be funded. Further details regarding resources are set out in chapter 3 below.

Risks to the achievement of this plan will be kept under close review and reported to the Management Board. Details regarding UKCB's risk management procedures are set out in chapter 4.

A summary of the framework for the financial management of the CAP is given in the Appendix.

**Michael Cooper**

**Director, UK Co-ordinating Body**

**February 2015**

# Section 1 - Strategic framework and 2015/16 targets

1.1 Agriculture Ministers, i.e. the Secretary of State for Environment, Food and Rural Affairs, the Scottish Ministers, the Welsh Ministers and the Department of Agriculture and Rural Development in Northern Ireland, acting collectively under statutory instrument, have established the UK Co-ordinating Body as an executive unit, independent of the four UK paying agencies, to:-

- carry out the functions of the **Co-ordinating Body**, as defined in Article 7(4) of the Horizontal Regulation (Regulation 1306/2013);
- act as **Secretariat to the Competent Authority** for the granting, maintenance and withdrawing of paying agency accreditation under Article 7 of the Horizontal Regulation, based on the annual reports of the UK Certifying Body and reports from the European Commission's services; and
- set up and maintain the single UK website publishing details of payments made to **CAP beneficiaries** under Article 111 of Regulation 1306/2013.

1.2 UKCB reports to a Management Board (the 'Board') appointed by the Agriculture Ministers, consisting of a nominee from each of the four Agriculture Departments and the UKCB Director. The Chairmanship of the Board rotates between the four Ministers' representatives. The Board supports Ministers to discharge their obligations in respect of the financial management of the CAP, approves UKCB's Business Plan and oversees the way in which it discharges its functions..

1.3 It is proposed that, subject to formal designation, UKCB will take on the UK Certifying Authority role for the European Fisheries Fund (EFF) and European Maritime and Fisheries Fund (EMFF) from 1 April 2015. EFF and, for the new programming period, EMFF are the funds for EU fisheries grants.

1.4 EFF was established by Council Regulation 1198/2006 (as amended by Regulation 387/2012). The Certifying Authority (CA), under Article 60 Regulation 1198/2006, is responsible for the certification of statements of expenditure before they are sent to the European Commission and for completing the applications for payment. The EMFF was established by Regulation 508/2014 and the CA role is set out in Article 126 of the Common Provisions Regulation 1303/2013.

1.5 As CA, UKCB will work in conjunction with the UK Managing Authority (the Marine Management Organisation), the four Intermediate Bodies (for England, Scotland, Wales and Northern Ireland) and the UK Audit Authority (Defra Internal Audit).

## Purpose and Vision

1.6 UKCB's purpose is 'to effectively administer EU CAP and fisheries funds, thereby mitigating the risk of disallowance and suspension of reimbursements'. UKCB's **vision** is to be a highly-motivated and skilled team that is recognized as helping the above outcome.

## Objectives

1.7 UKCB's objectives are to:-

- i. carry out the functions of the CAP Co-ordinating Body, i.e. to
  - a. collect and submit the financial, audit and statistical information required by the Commission;
  - b. co-ordinate actions with a view to resolving any deficiencies of a common nature and keep the Commission informed of the follow-up;
  - c. promote and, where possible, ensure the harmonized application of Community rules and guidelines in the UK;
- ii. provide the UK Competent Authority with advice and recommendations on CAP paying agencies' corrective actions and accreditation and manage the service level agreement with the UK Certifying Body;
- iii. promote an effective financial control environment that protects EU funds and reduces the risk of disallowance and suspension of reimbursements;
- iv. set up and maintain the single CAP beneficiary website;
- v. carry out the functions of the EFF/EMFF Certifying Authority;
- vi. deliver services efficiently and effectively.

## Performance Indicators

1.8 UKCB's key performance indicators (KPI), which help to assess whether the above objectives are being achieved, are to:-

- i. submit accurate monthly/annual accounting returns in support of CAP reimbursement claims within EU regulatory deadlines;
- ii. co-ordinate EU and ECA audits of the CAP within agreed deadlines, working with paying agencies to provide the information requested by the Commission, and thereby mitigate the risk of disallowance;
- iii. co-ordinate regulatory statistical returns for the CAP and submit these to the Commission within agreed deadlines;
- iv. represent the UK at the Agricultural Funds committee, facilitate the harmonized implementation of CAP regulations in the UK (recognizing that devolved administrations have discretion in this area), co-ordinate actions to resolve deficiencies of a common nature and liaise with other Member States; thereby supporting UK paying agencies to meet regulatory requirements and minimize disallowance;
- v. manage the SLA for the certification audit of the CAP paying agencies and seek to ensure that all relevant documents are submitted to the Commission to allow clearance of the paying agencies' accounts;

- vi. seek endorsement from the Competent Authority of CAP paying agencies' proposals for corrective action in response to recommendations agreed with the Certifying Body and monitor paying agencies' progress against these plans;
- vii. publish CAP beneficiary data online in accordance with the requirements of the Commission's transparency regulation;
- viii. contribute to the successful closure of the EFF and effective administration of the EMFF;
- ix. manage financial resources effectively and demonstrate year-on-year efficiency gains in the delivery of UKCB services, including the delivery of the annual certification audit by the Certifying Body;
- x. ensure that all of UKCB staff have work objectives linked to the unit's objectives and are performing against their objectives to a high standard.

1.9 Table 1 maps these key performance indicators against UKCB's six objectives:

**Table 1 - Key performance indicators**

|             | i | ii | iii | iv | v | vi | vii | viii | ix | x |
|-------------|---|----|-----|----|---|----|-----|------|----|---|
| Objective 1 | ✓ | ✓  | ✓   | ✓  |   |    |     |      |    |   |
| Objective 2 |   |    |     |    | ✓ | ✓  |     |      |    |   |
| Objective 3 |   | ✓  | ✓   | ✓  |   | ✓  |     | ✓    |    |   |
| Objective 4 |   |    |     |    |   |    | ✓   |      |    |   |
| Objective 5 |   |    |     |    |   |    |     | ✓    |    |   |
| Objective 6 |   |    |     |    |   |    |     |      | ✓  | ✓ |

## Targets for 2015/16

1.10 The following targets have been set for 2015/16 in respect of each of UKCB's key performance indicators:

| KPI | Target for 2015/16   |
|-----|--|
| i   | Submit expenditure reports and reimbursement claims to the Commission for Pillars 1 and 2 within regulatory deadlines.   |
| ii  | Provide formal responses to EU audit letters and minimize the level of financial corrections arising from Commission audit enquiries.  |
| iii | Submit regulatory statistical returns within the relevant deadlines.   |
| iv  | Contribute effectively to the Agricultural Funds Committee, arrange regular meetings of UK harmonization groups (with a particular focus on the compliance implications of CAP reform) and liaise with paying agencies and Co-ordinating bodies in other Member States to exchange best practice and identify issues that need to be raised with the Commission. |

| KPI  | Target for 2015/16   |
|------|--|
| v    | Submit certified accounts and Matrix data for financial year (FY) 2015 for all UK paying agencies to the Commission by the regulatory deadline in February 2016, or such alternative deadlines as may be agreed with the Commission. |
| vi   | Provide the Competent Authority with a submission on paying agencies' plans for corrective action within 10 days of the publication of the clearance of accounts decision for FY 2014.   |
| vii  | Publish aggregated CAP beneficiary data for FY 2015 by the regulatory deadline of 31 May 2015 and complete the tender exercise for the contract by 30 September 2015.  |
| viii | Achieve a smooth transition of the EFF/EMFF Certifying Authority role from Defra Finance to UKCB   |
| ix   | Negotiate a fee with the Certifying Body for the delivery of the FY 2016 certification audit, and obtain agreement on the funding of this work.  |
| x    | Ensure that all staff have work objectives and receive in-year appraisal in accordance with the performance management system.   |

## Critical Success Factors

1.11 UKCB has identified the critical success factors that will help keep it on track towards meeting its objectives. Accordingly it will:

- i. engage with stakeholders, e.g. paying agencies, policy makers, EU institutions (Commission, Council, Parliament and Court of Auditors) and the Certifying Body;
- ii. obtain support from Ministers in Defra and the Devolved Administrations when necessary;
- iii. collaborate with other Member States;
- iv. ensure that staff have appropriate skills, including the ability to think creatively and solve problems, and achieve a high level of performance and
- v. obtain and effectively manage adequate resources.

## Values

1.12 UKCB promotes the following values:-

- i. Our stakeholders matter – UKCB must seek to meet the needs and win the trust of our stakeholders.
- ii. Our people matter – UKCB must give people responsibility and opportunities for learning and development. Staff must accept responsibility for the work of UKCB and be able to achieve a reasonable work/life balance.
- iii. Collaboration matters – UKCB must work collaboratively, both internally and with external organisations, to achieve its objectives. Staff should respond positively for requests for help.
- iv. Performance matters – UKCB is clear about its purpose and objectives and consistently delivers individual and team targets.

## Section 2 - Work Programme for 2015/16

2.1 UKCB will seek to achieve its objectives and targets during the coming year by focusing on the following areas. This work programme will be adapted as necessary to take account of any new requirements or issues as they arise.

### Co-ordination, harmonization, financial control and risk management

2.2 UKCB will carry out the co-ordination and harmonization functions laid down in EU regulations and guidelines and proactively seek to harmonize the implementation of CAP regulations and reduce the risk of disallowance. It will continue to represent the UK at the monthly meetings of the Commission's Agricultural Funds Committee, provide advice to paying agencies and departments on accreditation and disallowance matters and respond to new proposals from the Commission. It will submit EAGF and EAFRD expenditure reports and reimbursement claims together with UK statistical returns and irregularity cases to the Commission and convene meetings of the Accounts and Finance Working Group and the IT Working Group as necessary during the course of the year. UKCB will provide briefing in respect of issues relating to the CAP raised in the ECA's audit opinion on the EU's 2014 budget and in the subsequent discharge of the budget. Significant activity is particularly anticipated in the following areas.

#### EU audit enquiries

2.2.1 It can take several years for Commission conformity audits to complete all of the relevant stages, although DG AGRI aims in future to restrict this period to two years. The stages include the initial audit mission, letter of observation, UK response, bilateral meeting, conciliation hearing (where applicable) and clearance decision. UKCB oversees the UK's input to this process. Through input to Commission and ECA audit missions, bi-lateral meetings and conciliation hearings and through the co-ordination of formal UK replies to EU letters of observation, UKCB plays an integral part in framing the UK's position. UKCB will seek to maintain a robust defence during the coming year on all enquiries to minimize potential disallowance and support paying agencies to take cases to the Conciliation Body where appropriate. In addition, UKCB will work closely with paying agencies who have been required to submit action plans to the Commission to minimize the risk of the suspension of reimbursements.

UKCB will also co-ordinate ECA audits, including enquiries relating to DAS 2014 and 2015. The ECA's annual report, which gives separate assessments of the error rates in the agricultural funds (EAGF and EAFRD) has a significant effect on the Commission's decisions. UKCB will continue to press for a risk-based approach to controls and audit, coupled with simplification of EU Regulations.

## Working with paying agencies and departments

2.2.2 The Paying Agency Directors' Forum (PADF), comprising heads of paying agencies, UKCB and Defra policy, provides a strategic overview of CAP delivery and compliance issues and will particularly focus on the challenges of implementing CAP reform in the coming year. The Paying Agency Co-ordination Board (PACB) will address operational issues arising from the implementation of CAP reform.

PADF and PACB together facilitate the sharing of information between the UK paying agencies and promote consistency in the implementation of the CAP across the UK, both as regards horizontal control regulations and specific schemes. They provide a means for identifying regulatory changes and implementation issues that will cause problems for paying agencies and for raising these with UK policy and legal colleagues and, if necessary, with the Commission. They also take action to address risks of disallowance and audit criticism.

UKCB will attend paying agency groups on accreditation and disallowance and the inter-departmental internal audit group (IDAG). The Director is also a member of several Defra groups, including the CAP Implementation Policy Group and Disallowance Steering Group.

UKCB will maintain and update its GSI collaborate website.

UKCB will collate monthly data from paying agencies to monitor late payments and whether expenditure and entitlements remain within relevant national and regional ceilings. PACB will monitor any significant variances.

## CAP reform implementation

2.2.3 The new direct payments regime took effect on 1 January 2015. UKCB will liaise with CAP implementation and delivery programmes and provides advice and support to paying agencies on interpreting the new regulations with a view to ensuring regulatory compliance and mitigating disallowance risks. The following issues will present particular challenges for paying agencies:-

- Land eligibility
- Greening, particularly EFA and equivalent practices (landscape features, land use/cover, parcels in vulnerable zones, additional GIS layers)
- Entitlements, including 'internal convergence' and area-based payments
- Financial discipline/ crisis reserve, including threshold of €2,000
- Active farmers (negative list and optional provisions)
- Capping/degressivity for payments over €150,000; salary mitigation
- Cross-compliance (Water and Sustainable Use of Pesticides Directives)
- Transfers between Pillars 1 and 2
- Verifiability and controllability of rural development programmes.

## CAP simplification

2.2.4 The Commission has announced its intention to review the CAP with a view to simplification and has asked Member States for ideas. UKCB will contribute to this process, either directly via the Learning Network, Conference of Paying Agency Directors and DG AGRI Simplification Experts' Group, or by working with Defra Policy in formulating proposals for the Agriculture Council and its working groups.

## CAP beneficiary data

2.2.5 UKCB manages the online publication of amounts paid to CAP beneficiaries, see [www.cap-payments.defra.gov.uk](http://www.cap-payments.defra.gov.uk), in line with the new requirements in the Horizontal Regulation 1306/2013 (Articles 111 to 114) and Commission Implementing Regulation 908/2014 (Articles 57 to 62). UKCB will manage the contractual arrangements for the website and database, including the data processing and hosting. The current contract with Mouchel expires in September 2015 and a tender process will be completed by that date.

## Control statistics

2.2.6 UKCB will collate control statistics as required by Article 9 of Commission Implementing Regulation 809/2014 and work with paying agencies to ensure that these are accurate and submitted to the Commission within the 15 July deadline. The control statistics are particularly important given the requirement for the Certifying Body to give an audit opinion on the assertions in the management declaration and by implication the accuracy of the control statistics. It will also be essential that paying agencies submit control statistics on time given the power that the Commission has under Article 42 of the Horizontal regulation to suspend the reimbursement of payments if control statistics are not submitted by the deadline.

## Agricultural Funds Committee

2.2.7 UKCB will represent the UK along with Defra at the monthly Fund Committee meetings, which consider ad hoc clearance decisions and changes to Commission regulations and guidelines. AFC and the associated experts' group have also been responsible for the negotiation of the implementing and delegated regulations under the new horizontal regulation.

## Reimbursement of rural development expenditure

2.2.8 UKCB will liaise closely with rural development policy colleagues in respect of the financial management of Pillar 2. Specific emphasis will continue to be placed on ensuring that accurate forecasts of expenditure (Annex X returns) are submitted. The Commission has warned that failure to do so may result in delays in re-imbursement. Attention will also be focused on ensuring that the 'n+2' principles are understood and adhered to in order to maximize UK spend and that the Annex XI re-imbursement claims submitted accurately reflect the different funding streams within the EAFRD (convergence, non-convergence and new voluntary modulation).

## Application of Commission requirements for debt reporting

2.2.9 Financial year 2008 saw a change in the accounting treatment of debt due to administrative error as opposed to trader irregularity, with only the latter subject to formal Annex III reporting at the year end. All outstanding debt due to administrative error effectively transfers to the Exchequer by virtue of the amounts concerned being repaid to the Commission via an adjustment to the final certified accounts.

As part of the clearance of the Financial Year 2010 accounts, the Commission challenged the 'claw back' by RPA of monies previously paid over in relation to administrative debt. The Commission undertook a conformity enquiry on this issue in October 2011 and issued a letter of observation in July 2012,

to which the UK replied in December 2012. UKCB continues to argue that there must be a process whereby paying agencies can reclaim monies paid over to EU funds in excess of the actual debt. The Commission also carried out a debt management audit of RPA in January 2014. Discussions are in hand with the Commission to progress these audit enquiries.

## Competent Authority work

2.3 UKCB has a Service Level Agreement with the National Audit Office (NAO) in respect of its work as UK Certifying Body. NAO, UKCB and each of the paying agencies have also signed letters of engagement setting out the roles and responsibilities of each party. UKCB will attend the Certifying Body's 'countries conference' (comprising NAO, Audit Scotland, WAO and NIAO).

### Monitoring corrective action by paying agencies

2.3.1 Following its submission to Ministers reporting on the results of the certification audit for financial year 2014, UKCB will closely monitor corrective actions by paying agencies to implement the recommendations made by the Certifying Body and Commission. UKCB will hold meetings with paying agencies where necessary to discuss progress and to seek direct evidence of the implementation of corrective actions.

### Commission experts' meetings

2.3.2 The Commission is expected to convene its annual meeting of heads of paying agencies and Co-ordinating bodies in November 2015 to discuss the clearance of accounts. UKCB will attend this meeting.

### Certification audit for financial year 2015

2.3.3 The certification audit for financial year 2015 is the first conducted under the Horizontal Regulation. An audit strategy was agreed with the Certifying Body in 2014 on the basis of the Commission's January 2014 guidelines and experts' group meetings in April 2014 and November 2014.

UKCB will liaise closely with the Certifying Body and paying agencies throughout the audit up to the submission of certified accounts and management declarations in early 2016. It will report on the certification process to the Competent Authority and Commission, stating whether the paying agencies continue to comply with the accreditation criteria, and convene a meeting of the UK Accreditation Compliance Committee to discuss the implementation of corrective action. UKCB will seek to ensure that the results of the new audit regime lead to reductions in the level of on-the-spot checks and in the size of financial corrections. It will also encourage the Commission and ECA to place maximum reliance on the work of national audit bodies.

## Working with other Member States

2.4 UKCB will seek to build alliances with other Member States through a number of fora to share best practice and influence the Commission's thinking on CAP administration. In particular, UKCB will work with other Member States to share experiences of CAP reform implementation, identify ways in which the regulations and guidelines can be simplified, and promote a proportionate and risk-based approach to controls and audit.

## Section 3 - Resources and Staff Development

3.1 UKCB is co-located with the Rural Payments Agency (RPA) at its offices in Reading. RPA provides UKCB with common services including accommodation, IT, accounting, HR and internal audit. Provision of these services is managed under a Service Level Agreement. There is a separate arrangement with Defra Legal for the provision of legal advice.

3.2 Under an administrative agreement between Ministers, funding for UKCB's direct costs (salaries, non-pay running costs and payments to the UK Certifying Body) is provided by Defra. Funding is secured through Defra's Resource Estimate.

3.3 The Director is accountable for UKCB's expenditure to the Defra Permanent Secretary and participates directly in Defra planning/estimating rounds. Changes to the budget allocation for UKCB are subject to consultation with and agreement by the Management Board and/or as necessary the Competent Authority.

3.4 UKCB's budget allocation for 2014/15 was £1,977,000, comprising £495,000 for pay, £32,000 for non-pay running costs, £1,275,000 for the UK Certification Audit (including an agreed £100k budget transfer following the reclassification of costs from the Exchequer to the certification audit) and £175,000 for the CAP beneficiary system, including provision for its redevelopment. Its budget baseline for 2015/16 is £1,779k, a reduction of £198k (10%). A budget transfer from Defra Finance of £104k has been agreed in respect of the fisheries certification authority role, which is moving to UKCB from 1 April 2015. This gives a total budget for 2015/16 of £1,883k. Whilst UKCB continues to look both internally and to the Certifying Body to deliver efficiency savings, the mandatory and prescriptive nature of EU requirements means that savings are difficult to achieve without putting at risk the reimbursement of expenditure to the UK from the Commission.

3.5 Negotiations are still in hand regarding the funding of the new work relating to the audit and legality and regularity. UKCB, working closely with the Commission and other Member States, was successful in significantly reducing the amount of work required under the Commission's guidelines. The Certifying Body estimated that the first version of the guidelines would have added at least £3 million p.a. to the cost of the audit. Notwithstanding the simplification of the guidelines, the Certifying Body still estimates that the cost of the audit for financial year 2015 and subsequent years will increase by £1.2 million p.a. from £1.3 million to £2.5 million p.a. At the same time the budget for the certification audit has been reduced by £0.1 million from £1.3 million in 2014/15 to £1.2 million in 2015/16. The shortfall in the 2015/16 budget for the audit is therefore £1.3 million. The additional annual cost is a new, unfunded pressure and the estimate is based on the audit work required for financial year 2015 (claim year 2014). The cost of the audit for subsequent years will depend on the impact of CAP reform, which has not yet been fully assessed and may increase the cost further.

3.6 The current contract with Mouchel for the CAP beneficiary website and database expires in September 2015 and planning has already commenced in conjunction with Defra procurement, IT and Legal to prepare for the tender exercise.

3.7 Whilst UKCB is operationally independent, its staff (except for the Director, who is a Defra Senior Civil Servant) are drawn from RPA and have RPA terms and conditions. UKCB's current complement comprises 10.6 full-time equivalents:

| Number in post | Role                      |
|----------------|---------------------------|
| 1              | Director (SCS)            |
| 1              | Deputy Director (Grade 6) |
| 1              | Grade 7                   |
| 2              | SEOs                      |
| 3              | HEOs                      |
| 1              | EO                        |
| 1.6            | AOs                       |

3.8 The involvement of staff at all levels in the development and running of the unit will continue to be actively promoted. Monthly cascade and feedback meetings will be held for all staff as part of this process. Procedures and desk instructions will be subject to six-monthly review. UKCB will train and develop staff taking account of individuals' personal development plans. Staff appraisals will continue to be based on RPA's Performance Management Framework. All staff will receive in-year review and end-of-year appraisals with line managers.

3.9 UKCB is committed to the principles set out in the Civil Service Leadership Statement:

- Inspiring about our work and its future
- Confident in our engagement
- Empowering our teams to deliver

3.10 UKCB will implement these principles in a variety of ways, including:

- Promoting professional excellence and expertise
- Rewarding initiative
- Understanding the objectives and priorities of stakeholders
- Giving clear and honest feedback
- Recognizing the value of different experience
- Developing the capabilities of all staff, taking account of individuals' personal development plans

# Section 4 - Corporate Governance and Risk Management

4.1 Although not formally constituted as a separate Department or Agency, UKCB undertakes to comply with government principles laid down for corporate governance. In accordance with best practice and Treasury guidance, UKCB has in place a system of internal control designed to identify the principal risks to the business, to evaluate the nature and extent of those risks and to manage them efficiently and effectively.

4.2 Aside from its Statement of Policy and Strategy for Risk Management, UKCB has an established Risk Management Framework, which is reviewed periodically. The business continuity plan has been updated and is linked both to the RPA's Contingency Plan and UKCB's Risk Register. This framework will continue to be the basis for risk management during 2015/16 with overall ownership of risk resting with the Director.

4.3 Risks include non-compliance with and inconsistent application of EU Regulations, high levels of disallowance and slow progress in following-up recommendations made by the Certifying Body. UKCB is also heavily reliant on the skills and experience of a small number of staff. Mitigating actions will be taken to counteract these risks.

# Appendix - Financial management of the Common Agricultural Policy

1 Expenditure under the CAP is financed by two funds, which form part of the EU's general budget. The European Agricultural Guarantee Fund (EAGF) finances direct payments to farmers and measures (such as intervention and export refunds) to regulate agricultural markets, while the European Agricultural Fund for Rural Development (EAFRD) finances the rural development programmes of the Member States. These two funds were created by Council Regulation 1290/2005 on the financing of the Common Agricultural Policy, which established a single legal framework for financing CAP spending, and have been retained by Regulation 1306/2013.

2 A regulatory framework has been put in place to give reasonable assurance that EU funds are spent properly and that any irregular payments are detected and recovered. Under the rules for the financial management of the CAP, the Commission is responsible for the management of the EAGF and the EAFRD. However, the Commission itself does not normally make payments to beneficiaries. According to the principle of shared management, this task is delegated to the 28 Member States who themselves work through some 80 national or regional paying agencies.

3 Before these paying agencies can claim any expenditure from the EU budget, they must be accredited by the Competent Authority for the Member State on the basis of criteria laid down in the Horizontal Regulation delegated act. Once a paying agency has been accredited, the Competent Authority must keep the accreditation under constant review and inform the Commission of the results of this supervision.

4 In order to gain reasonable assurance that the accounts transmitted to the Commission are true, complete and accurate; that the internal control procedures have operated satisfactorily and that the expenditure for which reimbursement has been requested from the Commission is legal and regular, the Member State must appoint an independent body to draw up a certificate stating whether it has gained reasonable assurance in this respect (Article 9 of Regulation 1306/2013). That opinion shall also state whether the examination puts in doubt the assertions made in the management declaration made by the head of the paying agency.

5 The audit certificate of the Certifying Body is based on an examination of the paying agency's administrative structures and procedures as well as a sample of transactions. This examination is carried out according to International Standards on Auditing and Commission guidelines.

6 The Certifying Body's report states whether:-

- a. the paying agency complies with the accreditation criteria;
- b. the paying agency's procedures are such as to give reasonable assurance that the expenditure charged to the EAGF and the EAFRD was effected in compliance with Union rules, thus ensuring that the underlying transactions are legal and regular, and that recommendations for improvements, if any, have been followed-up;
- c. the annual accounts are in accordance with the books and records of the paying agency;
- d. the statements of expenditure and of intervention operations are a materially true, complete and accurate record of the operations charged to the EAGF and the EAFRD;
- e. the financial interests of the Union are properly protected as regards advances paid, guarantees obtained, intervention stocks and amounts to be collected.

7 The head of the paying agency is required to give a management declaration as to the completeness, accuracy and veracity of the accounts and the proper functioning of the internal control systems, based on objective criteria, as well as to the legality and regularity of the underlying transactions. The accuracy of that statement is then verified by the Certifying Body and by the Commission as part of the clearance of accounts.

8 The Commission clears a paying agency's accounts taking account of the Certifying Body's findings and opinion, the head of the paying agency's management declaration and other evidence, including the answers received to its own questions. However, the Commission may subsequently conduct audit missions and find that expenditure has been incurred in a way that has infringed Community rules. In such cases it will assess the amounts to be excluded on the basis of the gravity of the non-conformity and the financial damage caused to the Community (Article 52 of Regulation 1306/2013).

9 Where a Member State accredits more than one paying agency it must also accredit a Co-ordinating Body under Article 7(4) of Regulation 1306/2013 to:-

- a. collect the information to be made available to the Commission and to send that information to the Commission;
- b. take or co-ordinate, as the case may be, actions with a view to resolving any deficiencies of a common nature and keep the Commission informed of any follow-up; and
- c. promote and, where possible, ensure harmonised application of the Union rules.

10 Prior to making payments to the beneficiaries, the paying agencies must, either themselves or through delegated bodies, satisfy themselves of the eligibility of the aid applications. The exact checks to be carried out are laid down in the different sectoral regulations of the CAP and vary from one sector to another.

11 The expenditure made by the paying agencies is reimbursed by the Commission to the Member States, in the case of the EAGF on a monthly basis and in the case of EAFRD on a quarterly basis. These reimbursements are, however, subject to any late payment reductions (Article 5 of Regulation 907/2014) and subsequent corrections (disallowance) under the Commission's conformity clearance procedure (Article 34 of Regulation 908/2014).

12 As summarized in the table below, the CAP is subject to multiple levels of audit and assurance. This reinforces the need for regulatory compliance and strong controls. UKCB will work with policy and paying agency colleagues to strengthen regulatory compliance as a means of mitigating the risk of future disallowance.

|                                      |  |
|--------------------------------------|--|
| European Council/European Parliament | Annual discharge of EU budget  |
| European Court of Auditors           | Annual statement of assurance audit (DAS)                                    |
| European Commission (DG AGRI)        | Annual clearance of accounts   |
| Competent Authority (Member State)   | Accredits/designates paying agencies, Co-ordinating Body and Certifying Body |
| Certifying Body                      | Annual certification audit   |
| Head of the paying agency            | Annual management declaration  |
| Paying agency                        | Internal audit and quality assurance   |
| Paying agency and delegated bodies   | Management checks  |
| Paying agency and delegated bodies   | Operational controls   |

13 The table below summarizes the ways in which compliance is built into each stage of CAP implementation.

|  |  |
|--|--|
| EU regulations and Commission guidelines                   | Interpret the regulatory requirements and guidelines   |
| National decisions and legislation                         | Ensure selected measures and eligibility criteria are deliverable, verifiable and controllable   |
| Administrative organization and system of internal control | Comply with accreditation criteria. Obtain evidence of compliance via audit and assurance. Understand drivers of non-compliance and respond effectively to audit findings. Manage inherent (irregularity) and control risks. |
| Horizontal controls (e.g. IACS)                            | Develop systems (e.g. registers for land, customers and entitlements) to meet requirements for administrative and on-the-spot checks   |
| Scheme design/business rules                               | Develop scheme rules and controls for the paying agency and guidance for claimants.  |
| Scheme implementation/business processes                   | Process, pay and account for claims. Apply pre-payment controls, penalties and post-payment corrections/recoveries. Compile control statistics and management information.   |



