

UK Co-ordinating Body

Annual Report

1 April 2015 - 31 March 2016

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1. Statement by the Chairman

It has been a privilege to have served on the Management Board of the UK Co-ordinating Body (UKCB) since January 2012 and to have been the Chairman over this past year. During the period covered in the report, I have continued to be impressed by the high quality of output from the Body and the professionalism of staff right across the organisation.

Over the last year we have seen the introduction of a new suite of EU schemes under the CAP as well as changes to the audit arrangements introduced by the Commission. This has been a 'challenging' experience for us all; however, it has brought into sharp focus the value of the work of the UKCB. This includes the benefit of sharing experience, ideas and managing a multiplicity of relationships with the Commission.

The current financial environment remains a challenge for us all. This has been a focus for the Board as we seek to achieve our collective goal of conformance with the EU Regulations and efficiency in delivery of our processes.

One of the major challenges facing the UKCB and the four UK paying agencies remains the risk of disallowance. The UKCB plays an important role in assisting the paying agencies in the management of the disallowance risks. Through fora such as the Paying Agency Directors Forum and Paying Agency Co-ordination Board, they have continued to work closely with paying agencies across all the devolved regions in a drive to minimise disallowance and assist in the challenge of implementing changes brought about by the CAP reform.

In addition to its domestic duties, UKCB has maintained its close working relationship with counterparts in other Member States on the key issues underpinning CAP administration, development and simplification. The Learning Network has continued to play a vital role in ensuring constructive dialogue is maintained with the Commission on key implementation issues and Michael's role as Chair of the network has been of great benefit to UK paying agencies.

UKCB also hold a key advisory role in ongoing CAP simplification negotiations with the Commission, another avenue that is important to us all in the drive to lower financial corrections going forward.

Yet again this report records a high level of performance with the UKCB meeting all of its performance targets for 2015/16. On behalf of my colleagues on the Management Board, I would like to offer my congratulations to all staff who have contributed to this success.

Graeme Wilkinson

Chairman

2015/16

2. Executive Summary

UKCB has delivered high levels of performance during the year, meeting the targets set by the Management Board within the strategic framework described in the Business Plan. Working in close collaboration with policy and paying agency colleagues, EU institutions and other stakeholders, UKCB has played a significant role in ensuring that the Common Agricultural Policy (CAP) is properly administered across the UK and that CAP reform is implemented effectively. This report provides details of how UKCB has performed against its Business Plan targets, managed resources and risks, and delivered activities to achieve its objectives.

UKCB has been actively involved in the implementation of the new CAP in claim year 2015, working closely with UK paying agencies, the Commission and other Member States through the Learning Network, which I chaired, and the Conferences of Paying Agency Directors.

UKCB acts as secretariat for the UK Competent Authority, ensuring that CAP paying agency accounts are certified and monitoring corrective action in response to audit recommendations. It works closely with paying agencies and the Certification Body to ensure that the UK's regulatory obligations in this area are effectively delivered. This year saw the successful completion of the first certification audit (for financial year 2015, claim year 2014) under the new audit regime, including an opinion on the legality and regularity of expenditure. All accounts have been proposed for clearance.

In addition to the introduction of a mandatory audit of legality and regularity, CAP reform has required UKCB to meet a number of other challenges. For example, the new 'Horizontal' Regulation expanded the role of UKCB, introduced new requirements for the publication of CAP beneficiary data and created a regime relating to action plans and the suspension of reimbursements from the Commission.

As set out in section 7, the Paying Agency Directors' Forum (PADF), Paying Agency Co-ordination Board (PACB) and Accounts & Finance Working Group (AFWG) continue to promote the harmonized implementation of the Common Agricultural Policy by the four paying agencies and their delegated agents within the UK. They have focused in particular during the year on the implementing CAP reform, with particular attention to ways of building regulatory compliance and assurance into this process from the start to mitigate the risk of disallowance.

Aside from the implementation of the new schemes there continues to be a very high level of audit activity by the Commission and the European Court of Auditors (ECA), involving extensive interaction with these bodies and the Conciliation Body to manage the significant risk of disallowance as far as possible. As well as coordinating the response to individual audits, UKCB has focused on analyzing the causes of financial corrections and promoting mitigating actions. The Commission's new matrix for calculating flat-rate

financial corrections has led to significant concern that the level of proposed disallowance considerably exceeds the true risk to EU funds. UKCB has been active with other Member States in lobbying for a more proportionate approach in this area as well as a more risk-based approach to audits.

UKCB took over responsibility for the fisheries Certifying Authority role at the start of the year and has been working on both the closure of the EFF 2007-13 programme and the implementation of the EMFF 2014-20 programme.

This year saw a number of significant challenges and I would like to thank all members of the team for their hard work to ensure that these were successfully met within deadline and budget.

Michael Cooper
Director
June 2016

3. Constitution, Objectives and Performance Indicators

Ministers¹ have established UKCB as an executive unit independent of the four UK paying agencies, to:

carry out the functions of UKCB, as defined in Article 7.4 of Regulation No 1306/2013, that is, bring together information to be sent to the Commission, take or co-ordinate actions with a view to resolving any deficiencies of a common nature, and promote the harmonised application of EU rules and guidelines; and

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 Certification Body and reports from the European Commission's services.

set up and maintain the single UK website publishing details of payments made to CAP beneficiaries under Article 111 of Regulation 1306/2013.

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.

UKCB's purpose is "to monitor the accreditation of paying agencies and work with them to ensure that CAP expenditure is effectively controlled, thereby mitigating the risk of disallowance". UKCB's vision is "to be a highly-motivated, skilled and efficient team that helps UK paying agencies to improve their management and control systems, enhance their compliance with regulatory requirements and reduce their levels of financial correction".

In addition, this is the first year that UKCB have taken on the UK Certifying Authority role for the European Fisheries Fund (EFF) and European Maritime and Fisheries Fund (EMFF). EFF and, for the new programming period, EMFF are the funds for EU fisheries grants.

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 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 2014 No. 3260: The Common Agricultural Policy (Competent Authority and Co-ordinating Body) Regulations 2014 (ISBN 978-0-11-112523-6).

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).

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. A separate summary of responsibilities and standalone objectives can be found for this element of UKCB work in Appendix IV.

In 2015/16, UKCB's objectives were to:

i) carry out the functions of the Co-ordinating Body as set out in the Horizontal Regulation, i.e. to:

collect and submit the financial, audit and statistical information required by the Commission;

co-ordinate actions with a view to resolving any deficiencies of a common nature and keep the Commission informed of the follow-up;

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 paying agencies' corrective actions and accreditation and manage the service level agreement with the Certification 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.

The above objectives cover both business outcomes and the capability (financial/people/efficiency) to deliver them, now and in the future, using the skills and experience of staff within UKCB to maximum effect.

UKCB's key performance indicators (KPI), which help to assess whether the achievement of its objectives, were 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, submitting 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 paying agencies' proposals for corrective action in response to recommendations agreed with the Certification 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 the Co-ordinating Body's services, including the delivery of the annual certification audit by the Certification Body;
- x) ensure that all of the Co-ordinating Body's staff have work objectives linked to the unit's objectives and are performing against their objectives to a high standard.

Table 1 - maps these key performance indicators against UKCB's five objectives during the year under report:

Table 1 - Key performance indicators

	i)	ii)	iii)	iv)	v)	vi)	vii)	viii)	xi)
Objective 1	✓	✓	✓	✓					
Objective 2					✓	✓			
Objective 3		✓	✓	✓		✓			
Objective 4							✓		
Objective 5								✓	✓

4. Resources and Staffing

Funding for UKCB's operations were provided by the Department for Environment, Food and Rural Affairs (Defra). The budget for the financial year (year ended 31 March 2016) was £2,964k comprising £630k for running costs, £100k for IT contracts and £2,234 for work undertaken by the National Audit Office and its consortium partners in respect of the EU certification audit. Outturn for the year against the budget was £2,924k a positive variance of £40k.

£k	2015/16 Budget	2015/16 Actual	2015/16 Variance	2014/15 Actual
Running costs	630	625	5	527
IT contracts	100	66	34	168
Certification Body Fees FY 2015/FY 2016²	2,234	2,233	1	1,246
Total	2,964	2,924	40	1,941

Other than EMFF staff who are based in London, UKCB remains co-located with RPA at its headquarters in Reading. RPA continued to be responsible for the provision of UKCB's corporate support services under an SLA. With the exception of the Director and the SEO and HEO for the EMFF Certifying Authority, who are all core-Defra civil servants, UKCB staff are RPA employees in terms of their contracts of employment, pay and conditions of service, including retirement and redundancy policies.

Arrangements for the provision of legal services by Defra legal advisers, a division of the Treasury Solicitor's Department, also remain unchanged.

Staff in post at 31 March 2016 comprised 12.2 full-time equivalents:
1 Director (SCS), 1 Deputy Director (Grade 6), 1 Grade 7, 3 SEOs, 4 HEOs, 0.6 EOs and 1.6 AOs.

Staff at all levels are involved in all aspects of UKCB's activities. Monthly team meetings are attended by all staff. Procedures and desk instructions continue to be reviewed on a six-monthly basis.

All annual appraisals of staff were based on a Performance Management Framework. All staff completed Personal Development Plans, which form an integral component of the Performance Management Record, and were subject to both in-year and year-end appraisals with line managers.

² Expenditure for 2015/16 was net of a contribution from the devolved administrations of £443,214.

5. Corporate Governance and Risk Management

UKCB is the executive arm of the UK Competent Authority. It acts as a link between the UK on the one hand and the Commission and ECA on the other in matters concerning the EAGF/EAFRD and manages the relationship with the UK Certification Body.

UKCB's direct costs are funded by Defra and there is recognition that these are substantially influenced by the requirements of the certification audit. UKCB's budget is set with due regard to the Certification Body's audit work and UKCB's limited staff resources, although the Body seeks efficiency savings where these can be achieved. During the year the devolved administrations contributed towards the Certification Body's fees.

UKCB's size and nature are such that corporate governance arrangements do not need to be complex. However, as the majority of its objectives are designed to ensure that UK paying agencies maintain their accreditation status and effectively administer the CAP, thereby mitigating the risk of disallowance, UKCB's risk register includes certain key risks owned by paying agencies. UKCB identifies and manages risks and reports accordingly to the Board and to the Defra Accounting Officer.

UKCB maintains a risk register covering its own business and measures jointly owned with the four UK paying agencies. The risk register and management of internal controls are considered at the Body's regular management meetings. All high-level risks identified continue to be directly linked to its objectives. Details of changes to the High-Level Risk Register are notified routinely to the UKCB Management Board. A separate risk register is maintained for EMFF based work.

The Management Board also fulfils the role of UKCB Audit Committee. RPA's Internal Audit Unit (IAU) currently acts as UKCB's internal auditor and, if required, can seek access to the Board's Chairman. UKCB forms an element of the IAU's five-year audit plan and provides the Director and Management Board with assurance as to the adequacy and effectiveness of its risk management, control and governance processes.

Risk assessment and management is integrated with UKCB's normal business, such as the management of EU audits and paying agency accreditation. Through its Annual Report, UKCB reports details of its activities and performance against agreed targets to Ministers and the Management Board. These are agreed in advance by the Management Board via an annual Business Plan.

In accordance with the Body's strategy for risk management, the Director maintains the following systems and procedures for internal controls and for accountability as regards corporate governance:

- Ownership of risk by the Director;
- Accountability to the Board and Ministers for corporate governance through routine and annual reporting;

- Consideration jointly of risks to UKCB and paying agencies by assessing risk probability and impact;
- UKCB identifies and manages risks and reports accordingly to the Board and to the Defra Accounting Officer;
- Maintenance of routine and regular review and assessment of risk by the Director and management team;
- Internal audit by RPA IAU, and;
- Maintenance of procedures for monitoring and managing performance against targets and for managing risks at all levels to support the Governance Statement.

6. Performance against Business Plan Targets

The Business Plan for 2015/16 set a number of targets in respect of UKCB's key performance indicators. The table below records performance against each target.

Target	Outcome
i) Submit expenditure reports and reimbursement claims to the Commission for Pillars 1 and 2 within regulatory deadlines.	Target met. All expenditure reports and reimbursement claims were sent within Commission deadlines.
ii) Provide formal responses to EU audit letters and minimize the level of financial corrections arising from Commission audit enquiries.	Target met. All formal audit responses were sent within prescribed timescales.
iii) Submit regulatory statistical returns within the relevant deadlines	<p>Statistical returns were submitted to the European Commission by the deadline of 15th July 2015 with the exception of the following:</p> <p>Direct Aid (SPS) return for Wales sent on 16th July 2015.</p> <p>Cross-compliance return for Wales sent on 24th August 2015.</p> <p>Special Entitlements return for England sent on 21st July 2015 and for Wales sent on 23rd July 2015.</p> <p>Rural Development return for England sent on 16th July 2015 and for Wales sent on 28th July 2015.</p>
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.	<p>Target met. UKCB made significant contributions in AFC debates regarding the system of the application of financial corrections, with new Guidelines which are augmented by revised Guidance setting out the various Key and Ancillary Controls for each CAP scheme.</p> <p>UKCB has an ongoing engagement with UK paying agencies via PADF and PACB and with other Member States via the Learning Network and Conference of Paying Agency Directors.</p>
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	Target met. Accounts documentation in respect of three of the UK paying agencies was submitted to Brussels between 12 th and 14 th February 2016. For DARD, some additional transaction testing was required. UKCB therefore sought and obtained a derogation which permitted a later delivery on 25 th

	February 2016.
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.	Target met. Submission sent to Competent Authority within deadline following clearance of FY 2014 accounts.
vii) Publish aggregated CAP Beneficiary data for FY 2015 by the regulatory deadline of 31 st May 2015 and complete the tender exercise for the contract by 30 th September 2015.	Both targets met and returns completed within deadline.
viii) Achieve a smooth transition of the EFF/EMFF Certifying Authority role from Defra Finance to UKCB.	Target met. EFF/EMFF work now fully integrated into UKCB.
ix) Negotiate a fee with the Certification Body for the delivery of the FY 2016 certification audit, and obtain agreement on the funding of this work.	Target met, fee successfully negotiated and agreement on funding reached. Devolved administrations now make a contribution to CB costs.
x) Ensure that all staff have work objectives and receive in-year appraisal in accordance with the performance management system.	Target met. All staff had agreed work objectives and in-year appraisal meetings under the performance management system.

7. Harmonisation and Competent Authority Activity

Harmonisation Activity

Paying Agency Director's Forum (PADF)

Details of PADF, including its objectives, can be found in Appendix II. Membership of PADF comprises the heads of each of the UK paying agencies, the Director of UKCB and one or more senior UK policy representatives. Defra is represented on the forum to ensure that there is a close working relationship between policy and delivery. Whilst the lead for developing UK policy remains with Defra, the forum considers the practical application of policy and highlights issues of potential concern.

During the period under report, PADF had three meetings. These were held on 10th June 2015 at North Gate House, Reading, 16th September 2015 at the Ordnance Survey offices in Southampton and 10th March 2016 at the Welsh Government offices, Cardiff. PADF also visited the Irish Paying Agency in Dublin on 29th July 2015 to learn from their experience in respect of IACS and scheme administration, particularly as regards reducing disallowance.

Tackling the challenges and inherent complexities of implementing CAP reform has been the key focus of PADF throughout the year in question. The main issues covered during the year included:

- CAP reform implementation CY 2015 and plans for 2016 (Paying Agencies);
- IACS/LPIS issues (Paying Agencies);
- CAP simplification;
- Costs of management and control;
- Managing the risk of disallowance; and
- EU Audits.

Paying Agency Co-ordination Board (PACB)

Details of PACB, including its purpose and objectives, can be found in Appendix II. During the period under report, PACB met formally on the 6th July 2015, the 3rd December 2015 and the 8th March 2016 but continued to operate as a working network throughout the year. The Board focused on operational issues arising from the implementation of CAP reform, including:

- active farmers;
- greening;
- young farmers;
- cross border applications;
- duplicate claim identification;
- audit information sharing;
- dual use of land; and
- crop diversification.

Accounts and Finance Working Group (AFWG)

The objectives of AFWG can be found in Appendix II. During 2015/16 the group met twice, on 28th April and 7th October 2015. The meetings were attended by representatives from all the paying agencies, as well as the Forestry Commission and Defra. UKCB prepares the agenda and leads discussion on most items. The main topics covered included:

- EAGF and EAFRD accounting requirements for the 2015 Certification audit;
- Issues identified during the 2014 accounts clearance process;
- Changes to Commission irregularity debt reporting requirements;
- Application and reimbursement of Financial Discipline;
- EAFRD closure process for the 2007-2013 programme;
- EAFRD new programme adoption and accounting issues;

- Basic Payment scheme budget coding and ceiling monitoring;
- OLAF fraud and irregularity reporting arrangements; and
- Funding Body issues, including hedging and reconciliation of balances.

Conferences of Directors of EU Paying Agencies

Each Presidency hosts a Conference of Directors of EU Paying Agencies during its six-month period of office, where senior officials from all Member States and the main EU institutions meet to discuss key issues through plenary sessions and targeted workshops. UKCB is represented at all such conferences. During the period under report, the two conferences held were in Riga, Latvia (6th – 8th May 2015) and Luxembourg (11th – 13th November 2015). The main themes for consideration were:

- Direct payments and the CMO;
- Rural Development;
- Horizontal issues (audits; certification; reporting);
- Learning from experiences of audits in other Member States;
- New CAP – First experiences; and
- Simplification – Cross Compliance.

Learning Network

The Learning Network of EU Paying Agencies and Co-ordinating Bodies (Learning Network) was formed in 2009 with representatives from 9 Member States. It now has participants from all Member States and was chaired by the UKCB Director during the period covered by this report. Its main goals are to:

- be a network for Directors of EU paying agencies and co-ordinating bodies;
- initiate cooperation between paying agencies, co-ordinating bodies and EU institutions;
- respond to developments in the CAP, especially in relation to simplification and the reduction of implementation, control and administrative burdens;
- develop suggestions for improvements in the regulations and guidelines; and
- be a platform for sharing best practices and solutions.

A number of meetings have been held this year including two formal plenary sessions held in Madrid (Sep 2015) and Lisbon (Feb 2016). The Commission (DG AGRI D3) participated by video link in part of the session in Madrid and

also met the Learning Network Steering Group in Brussels as a follow up to the Lisbon meeting. During the year under report, key areas of work included:

- CAP simplification;
- CAP 2015 implementation;
- planning for CAP 2016;
- costs of control;
- audits and action plans;
- financial corrections and key and ancillary controls; and
- arrangements for the Conferences of paying agency Directors.

Panta Rhei

Two meetings of Panta Rhei³ were held during the period under report. These took place in Levi, Finland (May 2015) and Luxembourg (October 2015). UKCB participated along with representatives from the four UK paying agencies.

The main issues discussed were:

- implementation of CAP reform;
- cyber security;
- IT security certification;
- geospatial application requirements;
- declaration and management of Ecological Focus Areas; and
- CAP simplification.

Agricultural Funds Committee (AFC) and Experts Meetings

UKCB continued to represent the UK at the Agricultural Funds Committee (AFC), which meets monthly in Brussels. Each month, paying agencies were offered, and responded to, the opportunity to provide views and comments from their own as well as the UK perspective. A 24 hour report was produced by UKCB after each meeting and was circulated within 2 working days in all cases.

In 2015/16, AFC was consulted on three Commission ad hoc Clearance of Accounts decisions, all of which were subsequently adopted. These applied just under €1.9 billion in financial corrections. From the UK perspective, these contained just over €272.5m (gross) of disallowance. The relevant breakdown by UK paying agency was as follows:

³ Panta Rhei is the EU forum for paying agencies for the exchange of ideas and experiences with regard to IT questions and implementation of CAP measures.

- RPA €254.6m (SPS CYs 2010 – 2014, F&V, RD)
- DARD €14.4m (SPS CYs 2010 – 2012, RD)
- SG €3.5m (RD)

Significantly, the Commission took into account the value of SPS recoveries made by DARD which offset in full the financial impact (€11.8m) of the correction proposed.

The system of the application of financial corrections has been updated, with new Guidelines issued on 8th June 2015. These are augmented by revised Guidance setting out the various Key and Ancillary Controls for each CAP scheme. Both were subject to rigorous scrutiny by AFC and are expected to be reviewed in 2016/17.

Other key topics discussed during the year at AFC included:

- Financial Discipline procedures (including re-imburement);
- RD Programme closure procedures;
- Costs of Control (2015 exercise);
- Analysis of controls statistics, control data and matrix requirements;
- Late payment proposals;
- The continued impact of the Russian import ban;
- Conciliation Body membership;
- Budget forecasts;
- OLAF issues; and
- Financial Clearance of Accounts.

During the year, the Commission also convened two Experts Meetings for Co-ordinating Bodies, paying agencies and Certification Bodies. UKCB led UK representation at both meetings. These were held on 29/30 June and 16/17 November 2015. The main issues for discussion were:

- detailed guidance on the application of the requirements for the audit of legality and regularity;
- revised Commission guidelines for Certification Bodies;
- RD Closure (2007 – 2013);
- updated procedures for debt reporting; and
- revised key and ancillary controls guidance.

EU Audits

UKCB continues to coordinate, facilitate and, where practical, attend EU audit missions (EAGF and EAFRD) in the UK by the Commission and the European

Court of Auditors (ECA). During the period under report there were 10 missions by the Commission and 6 by the ECA (including the annual statement of assurance). UKCB also provided, or arranged for, secretariat support at all start-up and wash-up meetings and accompanied paying agency officials at an additional 6 Commission bilateral meetings and 1 Conciliation Body hearing during this period. The audits and bilateral meetings covered the following:

Commission Audits

- Area Aids (SGRPID)
- Cross Compliance (DARD)
- LPIS Action Plan (RPA)
- Rural Development (Axis 4) (DARD)
- Rural Development (Axis 2) (RPA)
- Rural Development (Axis 4) (SGRPID)
- Rural Development (Axis 2) (SGRPID)
- Rural Development (Axis 1 & 3) (RPA)
- Certification (NAO)
- Fruit & Veg (RPA)

ECA Audits

- Statement of Assurance 2015 (EAGF) (RPA)
- Statement of Assurance 2015 (EAFRD) – 3 visits (RPA/SGRPID & DARD)
- Reliability of the LPIS (SGRPID)
- Legality and Regularity (NAO)

Bilateral Meetings

- Irregularities (RPA)
- Area Aids (SGRPID)
- Cross Compliance (DARD)
- Rural Development Plan (Axis 4) (DARD)
- Rural Development (Axis 2) (SGRPID)
- Fruit & Veg (RPA)

Conciliation Body Hearings

- Cross Compliance (RPA)

All the EU audits and bilateral meetings ran smoothly and are currently at various stages of the clearance process.

Publication of CAP Beneficiary Data

UKCB has managed the UK's website for the publication of CAP beneficiary data since Regulatory transparency requirements were introduced in 2008.

Horizontal financing Regulation (EC) No. 1306/2013, and the associated Implementing Regulation No. 908/2014, amended the rules for publication with effect from the 2014 financial year data. This removed the requirement to exclude data for natural persons that had been introduced following a ruling by the European Court of Justice. The revised criteria for publication are:

- for payments to be published for all beneficiaries, both natural and legal;
- a breakdown of amounts paid, split by scheme or measure;
- a de minimis of €1,250 under which threshold payments will be published, but with the names of these beneficiaries anonymised.

UKCB arranged for the website to be redeveloped at the beginning of 2015 to reflect the changes required. The revised website, containing payments data for the 2014 financial year, successfully went live by 31st May 2015, the new Regulatory deadline for publication.

The contract for the website hosting and annual data upload was re-tendered during 2015 under the Government's G-cloud procurement process. The tender attracted interest from a number of companies, and resulted in a two-year contract being awarded at a reduced cost to the existing contractor and sub-contractor.

The project to upload the 2015 financial year data began in January 2016. UKCB has obtained data from paying agencies, coordinated user acceptance testing and provided liaison between the contractor and paying agencies to resolve queries. The 2015 data is on course to be added to the website during May 2016. In addition the opportunity is being taken to refresh the website to improve clarity and allow for use on tablet and mobile devices.

Control Statistics

Article 9 of Regulation No. 809/2014 requires Member States to provide control statistics on an annual basis. Responsibility for the collation and submission of such data continues to rest with UKCB. These returns are considered of the utmost importance by the Commission, as they indicate the underlying error rates in claims submitted by farmers. It is therefore essential that the data contained in the returns is quality assured and submitted on a timely basis. Responsibility for the collation and submission of such data continues to rest with UKCB.

The Pillar I returns cover SPS eligibility and cross compliance and cover information on the number of claims made, areas/amounts covered by claims and associated control measures and sanctions imposed. The Pillar II returns

cover schemes under all four axes. Statistical returns were submitted to the European Commission by the deadline of 15th July 2015 with the exception of the following: Direct Aid (SPS) return for Wales sent on 16th July 2015, Cross-compliance return for Wales sent on 24th August 2015, Special Entitlements return for England sent on 21st July 2015 and for Wales sent on 23rd July 2015 and Rural Development return for England sent on 16th July 2015 and for Wales sent on 28th July 2015.

Other issues

During the year under report, UKCB contributed to the work of a number of other groups including:

- the Defra Disallowance Steering and Working Groups;
- RPA disallowance forecasting group;
- paying agency accreditation groups;
- the Commission Simplification Experts' Group;
- Commission seminar on the root causes for errors in the implementation of rural development programmes;
- plenary meeting of the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF); and
- meeting of COCOLAF experts group "Reporting and Analysis of Fraudulent and Other Irregularities".

7.2 Competent Authority Activity

Certification of Accounts

i) Financial Year 2015

Commission legislation requires the outcomes of certification audits to be reported to Brussels by no later than 15th February each year as the basis for a Commission Decision on the clearance of the accounts for both Agricultural Funds (EAGF and EAFRD). This year, the FY 2015 accounts documentation in respect of three of the UK paying agencies was submitted to Brussels between 12th and 14th February 2016. For DARD, some additional transaction testing was required. UKCB therefore sought and obtained a derogation which permitted a later delivery. This report and accounts was duly submitted on 25th February 2016.

This was the first year for which the Commission required the Certification Body to provide an opinion on the legality and regularity of the underlying transactions. This had a substantial impact on both the scope and therefore the overall cost of the work required, particularly as the Certification Body had to re-verify a significant number of the randomly selected on-the-spot-checks initially carried out by each paying agency. Despite these revised requirements, some of which were made by the Commission late in the process, all UK accounts had unqualified opinions. Perhaps unsurprisingly, the Commission raised a number of subsequent queries, some of which will require further discussion with the Commission with a view to making some refinements to the underlying Guidelines.

In line with the revised Guideline No. 4, heads of paying agencies also have to provide a Management Declaration (MD) to confirm that the accounts presented each year are true, complete and accurate and that systems are in place to provide appropriate assurance. As with previous years, all MDs were made without reservation or qualification. However, three heads of paying agencies made use of the 'additional remarks' section within the MD designed for any issues not considered appropriate for a reservation, but which needed to be brought to the attention of the Commission. These covered the following issues, all of which were subject to ongoing improvement:

- RPA: Accrued Interest on Debts, Quality of Control Statistics and Agreements with Delegated Delivery Bodies;
- SGRPID: SRDP Error Rates;
- DARD: SPS Area Aid disallowance and RD (LEADER).

ii) Financial Year 2016

The introduction of the audit of legality and regularity has created a two-year audit process, with re-verification of on-the-spot checks undertaken in year 1 and the more standard financial and controls testing undertaken in year 2. Work supporting the FY 2016 certification audit started in the late summer of 2015, with the initial focus on the re-verification of land-based schemes. The

introduction of BPS and the associated new Direct Payment elements (such as Greening and the Young Farmers' Scheme) has created an increased inherent audit risk, as has the implementation of the new IT solutions needed to facilitate more complex scheme administration. As a consequence, it is forecast that costs for the audit will rise from 2015 levels due to the reduction in the overall levels of controls assurance and consequential additional testing.

Certification Body

As noted above, 2015 was the first certification audit conducted under the Commission's audit of legality and regularity procedures. The work necessarily spanned two Exchequer years (2014/15 and 2015/16). The total cost of the audit was £2,515,967, slightly higher than initial forecasts, as in order to complete the audit to required Commission standards, both NIAO (£55,000) and WAO (£13,685) incurred additional costs. The final total represents an increase of 102% from the cost of the 2014 audit and highlights the financial impact of the requirement for Certification Bodies to re-verify underlying on-the-spot inspections. As a direct result, the Devolved Administrations agreed to contribute to the additional costs of the audit⁴.

UKCB has an SLA in place with NAO as UK Certification Body. This was formally reviewed in-year and an updated agreement was formally signed-off in October 2015. Most of the changes reflected the new requirements surrounding the audit of legality and regularity and amendments to regulatory references following CAP Reform. However, for 2015/16, the SLA continued to be underpinned by targets to be met as a condition of performance-related payments. These targets were unchanged from previous years, with the timely submission of Interim Management Letters and Draft Reports the main priority. All targets were met and all performance-related payments were made in full.

United Kingdom Accreditation Compliance Committee (UKACC)

Background to UKACC, including its objectives, can be found in Appendix III. Two meetings of UKACC were held during the period under review, on 4th June 2015 and 24th September (by dial-in). The main issues discussed included:

- Certification of Accounts (2014, 2015 and 2016 exercises);
- Monitoring of corrective actions;
- Submission to the Competent Authority (including a formal assessment against accreditation criteria);
- Management Declarations (including new Annex III);
- IT Security and other Accreditation Issues; and
- Introduction of CAP Reform – Assurances to the Competent Authority.

⁴ The agreed devolved contribution is equal to 50% of the additional cost of the audit above the 2014 baseline figure.

Management Board Membership 2015/16

Michael Cooper	Director, UK Co-ordinating Body
Graeme Wilkinson (Chair)	Department of Agriculture and Rural Development, Northern Ireland (DARD)
Mrs Karen Lepper	Department for Environment, Food and Rural Affairs (Defra)
Trudi Sharp	Scottish Government (SG)
Dean Medcraft	Welsh Government (WG)

The Management Board met on 8th June 2015 and 20th November 2015.

Management Board members also met jointly with PADF on 19th March 2016.

Details of Key UK Co-ordinating Body Groups

Paying Agency Director's Forum (PADF)

PADF was established in 2010 under the rotational chairmanship of the UK paying agencies. It meets three times a year and is timetabled to follow the Paying Agency Co-ordination Board (PACB). The purpose of PADF is to ensure a consistent strategic approach in implementing the Common Agricultural Policy across the UK, both regarding horizontal regulations and the regulations specific to individual schemes. This approach is subject to variation arising from the application of regional options permitted under EU legislation.

PADF promotes an effective financial control environment that meets the requirements placed on accredited paying agencies and ensures the legality and regularity of expenditure, thereby maintaining accreditation status, protecting EU funds and minimising the risk of financial corrections. In addition it tries to identify changes that will make the Common Agricultural Policy simpler and cheaper to administer and less burdensome for claimants and acts as a forum for discussion between policy and delivery colleagues on simplification principles and implementation issues.

To achieve its objectives PADF:

- promotes the harmonised application of EU regulations and guidelines by UK paying agencies and their delegated agents;
- identifies and monitors risks for UK paying agencies relating to accreditation, scheme compliance and disallowance and agrees appropriate mitigating actions;
- provides a forum to enable paying agencies to discuss the practical implications of CAP reform and other policy developments for delivery bodies, both regarding implementation and ongoing administration, and to discuss these matters with UK policy-makers;
- identifies opportunities for the simplification of CAP regulations;
- prepares for meetings of the EU Conference of paying agency Directors and the Learning Network;
- promotes common standards for controls and databases; and
- exchanges information and best practice between paying agencies.

Paying Agency Co-ordination Board (PACB)

PACB was established in 2007 under UKCB's chairmanship. The purpose of PACB is to promote consistency in the implementation of the Common Agricultural Policy across the UK, both regarding horizontal regulations and the regulations specific to individual schemes. PACB considers whether controls over claims and payments are adequate to protect EU funds and keep the value of errors within materiality, thereby reducing the risk of disallowance, and whether the administrative costs of controls are proportionate to the risks that they are designed to address.

To meet these objectives PACB is mandated to:

- promote the harmonised application of EU regulations and guidelines by paying agencies and any other bodies responsible for their application;
- consider and promote the application of accreditation criteria and IACS controls, including common standards for inspections and databases;
- promote, subject to variation arising from the application of regional options permitted under EU legislation, a consistent approach to the implementation of CAP schemes and programmes;
- provide a forum to enable paying agencies to be aware of policy developments and allow UK negotiators to take account of the practical implications for delivery bodies, for example, resources and timescales, both regarding implementation and ongoing administration;
- consider ways of improving administrative processes;
- exchange information and best practice between paying agencies;
- coordinate responses to the Commission and ECA where audits and resulting findings relate to more than one UK paying agency; and
- ensure the timely submission of returns to the Commission and monitor expenditure against UK and regional ceilings.

Accounts and Finance Working Group (AFWG)

The purpose of AFWG is to:

- provide a forum for accredited UK paying agencies to consider and resolve issues arising from EAGF and EAFRD finance and accounting requirements;
- provide a lead on the interpretation of these requirements and the implementation of suitable systems and procedures; and
- promote the harmonised application of the regulations across all paying agencies.

United Kingdom Accreditation Compliance Committee (UKACC)

UKACC was established in 2008 to consider matters concerning the UKCB's functions as secretariat to the Competent Authority and its responsibility for managing the SLA with the UK Certification Body. Its main objectives are to:

- agree schedules of paying agency corrective actions required following the annual certification audit;
- agree deadlines for the implementation of such corrective action;
- monitor implementation of corrective actions in accordance with agreed UKCB guidelines;
- review the horizontal implications of recommendations made by the Certification Body where they may impact on the work of other UK paying agencies;
- consider matters relating to the granting, review, downgrading and withdrawal of paying agency accreditation;
- discuss issues arising from the work of the Certification Body; and
- consider ways of improving the delivery of paying agency data to the Certification Body.

European Maritime Fisheries Fund (EMFF) UK Certifying Authority

1 Purpose & Aim of the Organisation

This is the first year the UK Certifying Authority has resided within the UK Co-ordinating Body. It holds responsibility for the accurate certification of funds expended by the 4 UK intermediate bodies in England, Scotland, Northern Ireland and Wales, and the subsequent submission to the European Commission of a payment claim requesting re-imbusement of expended monies through the administration of the UK European Fisheries Fund 2007 – 2013 and the European Maritime Fisheries Fund (EMFF) 2014 to 2020.

The European Fisheries Fund is the only pan UK programme operated by Defra jointly funded by the European Commission and Defra covering all 4 UK countries supporting sustainable fishing. To reduce administrative burden and maximise reimbursement the UK Managing Authority and the UK Audit Authority, the UK Certifying Authority agree the frequency of claims. This frequency is primarily based on spend and timing (at least December & June) but including other factors such as exchange rate fluctuations and progress towards achieving the yearly spend as detailed in the Operational Programme. These decisions will be driven by the progress recorded on the financial monitoring system held and administered by the UK Managing Authority which is discussed on a regular basis between the two authorities.

The European Fisheries Fund 2007 to 2013 – This programme is nearing completion with a final claim due to be submitted late this year with all final closure papers in place and signed off early in 2017. The programme at commencement was worth €137 million, this amount was divided between the four intermediate bodies as follows:

Scotland: €55,140,000

England: €47,927,889

Northern Ireland: €18,100,000

Wales: €16,660,000

To date the UK has received the following amounts in reimbursed payments from the European Commission:

Scotland: €47,555,027

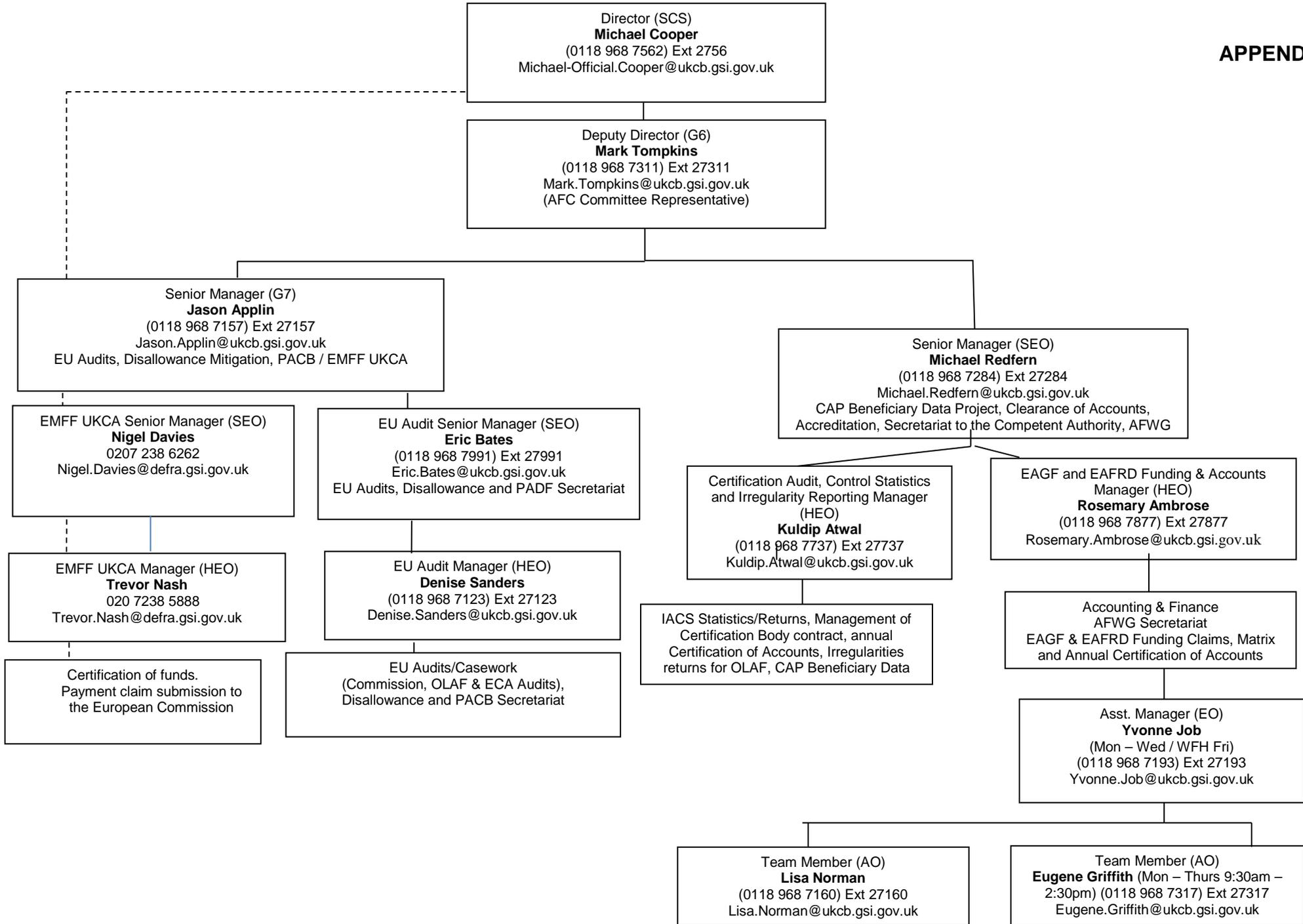
England: €36,271,993

Northern Ireland: €8,870,878

Wales: €11,160,973

2 The European Maritime Fisheries Fund 2014 to 2020

This programme has yet to submit a claim for reimbursement. The UK has been allocated €243 million. This amount is further broken down by core EMFF, Enforcement & Control and the Data Collection Framework. The UK anticipates submitting the first claim for reimbursement later this year.



UK Co-ordinating Annual Report

Version 1.0

August 2016

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