



Department  
for Environment  
Food & Rural Affairs

[www.gov.uk/defra](http://www.gov.uk/defra)

# **Accountability Systems Statement**

**July 2014**



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# 1. Introduction

1.1 As Permanent Secretary, I am appointed by HM Treasury<sup>1</sup> as the **Principal Accounting Officer** for the **Department for Environment, Food and Rural Affairs** (Defra) with responsibility for all funding covered by the Defra Estimate approved by Parliament. I also receive directly from HM Treasury a set of delegated spending authorities which specify the circumstances when I must seek separate additional Treasury approval to commit resources.

1.2 As **Principal Accounting Officer** for Defra, I am accountable:

- to Parliament for the proper stewardship of the resources allocated to my Department. Key responsibilities are set out in the HM Treasury Guidance *Managing Public Money*, particularly Chapter 3;
- to HM Treasury for ensuring that Defra spends its resources in a manner which ensures regularity, propriety and value for money; and
- for the system of governance and reporting through which the Department operates. Should it fail to provide me with the necessary assurances, I would make the appropriate recommendations for change.

**This document summarises the systems I have in place to assure HM Treasury (HMT) that I can provide this accountability.**

1.3 A significant percentage (66%) of Defra's Exchequer funding is distributed to the **Defra Network**, which includes Executive Agencies, Non-Departmental Public Bodies (NDPBs) and Non-Ministerial Departments (**Network Bodies**). When EU funding to Defra is taken into account the proportion of Defra spending going to Network Bodies is 80%. The Defra network also includes a number of self-financing bodies.

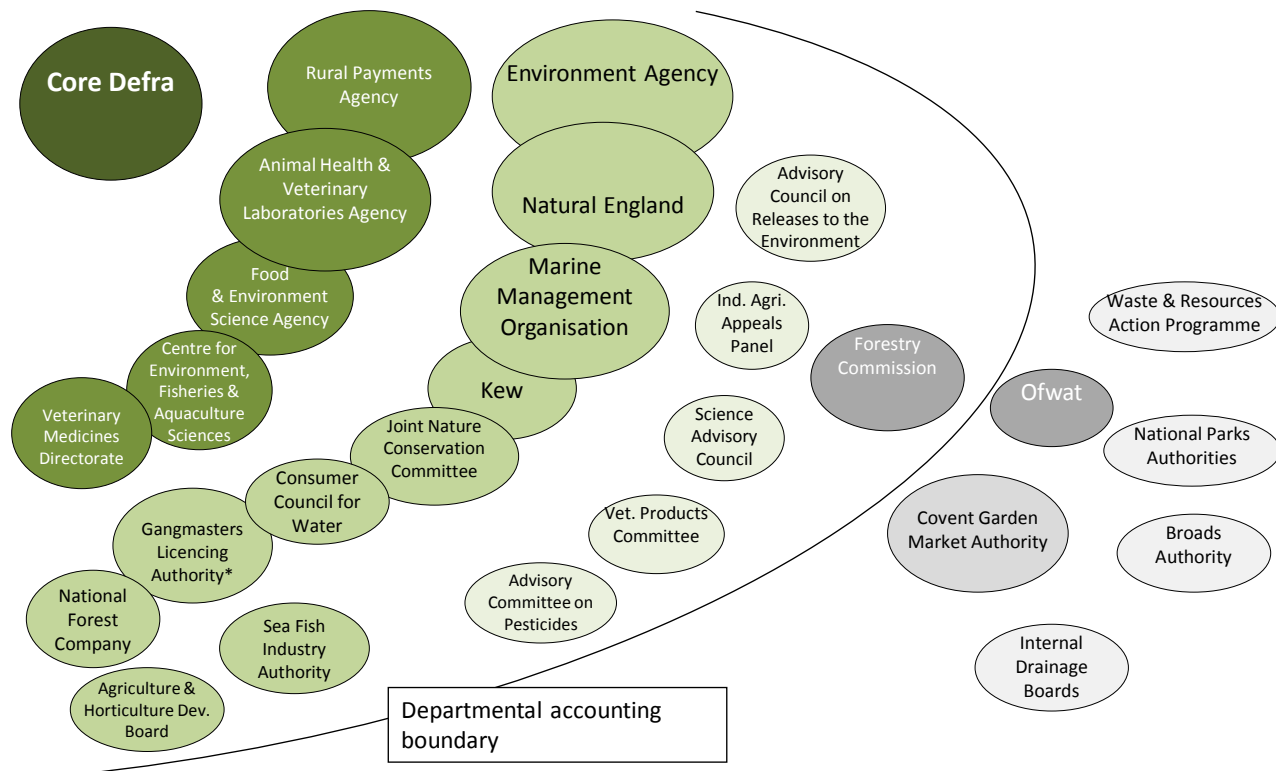
**This document describes how I, as Principal Accounting Officer, hold the Accounting Officers of Defra's Network Bodies to account.**

1.4 It should be noted that these bodies also have their own systems of accountability which specify how each individual Accounting Officer oversees the use of their organisation's resources. In addition, I am the Accounting Officer, along with the Rural Payments Agency Chief Executive (who is responsible for the Single Payment Scheme element), for the funding which Defra receives from the European Union. In 2013-14 this amounted to £2.3bn, of which £1.8bn relates to the Single Payment Scheme.

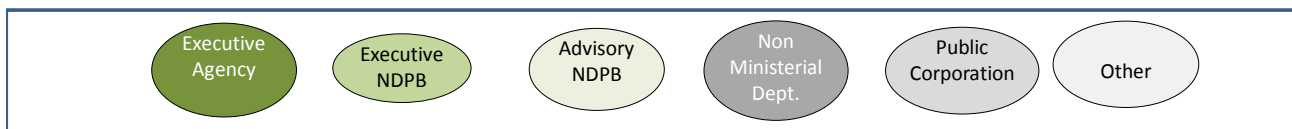
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<sup>1</sup> This appointment is made under the terms of the Government Resources and Accounts Act 2000 Section 5(6) and gives me the authority to commit the resources covered by the Estimate.

1.5 This document outlines how Defra's funding is distributed and accounted for in relation to the core Department and its network bodies including business planning, governance and monitoring, audit and assurance and risk. It also addresses the arrangements for dealing with underperformance and failure. Governance arrangements and monitoring of network bodies is proportionate to the size of their budget and the associated risks they present.



\*GLA moved to the Home Office on 9 April 2014



## 2. The Core Department and Executive Agencies

### 2.1 Background

2.1.1 Accountability for Defra and its Executive Agencies is provided through a clear, evidence-based business planning process, supported by governance, monitoring, audit and assurance and risk processes.

2.1.2 I delegate to Defra **Directors** the authority to commit resources within predefined limits, together with the responsibility for proper stewardship of these resources and compliance with the requirements of HM Treasury's *Managing Public Money*. Directors' accountability is formalised through **Delegated Authority Documents** (DADs). These are received at the start of the financial year and confirm budgets and objectives for the year, for which Directors are personally held to account. Directors are accountable for ensuring that they deliver their priorities within these delegations.

2.1.3 I confirm the appointment of the **Chief Executive Officers** (CEOs) of the Department's **Executive Agencies** as the Accounting Officers for these bodies. As with Directors, I delegate to them, through a formal DAD, the authority to commit resources within budget limits, and the responsibility for their proper stewardship. A Framework Agreement sets out the specific governance arrangements for each agency. CEOs are held to account for performance issues and failures that may occur.

2.1.4 **Directors and CEOs** are responsible to the Defra Board for delivery of the objectives set out in their Business Plans and for maintaining a robust forecast position within budgets limits. Where relevant, they are responsible for ensuring that their activities have been through an Internal Assurance process and/or Government Major Projects Portfolio Gateway process.

2.1.5 Defra Directors and Executive Agencies draw up **business plans** setting out a clear, consistent picture of what will be done over a given period (activities) with their available resources (inputs) and how these are expected to deliver the department's strategic priorities (outputs and outcomes).

2.1.6 Running parallel to this, Defra's Business Plan for 2012-15 sets out the Department's priorities and objectives in meeting the Coalition Government's Programme for Government commitments. Progress against the Structural Reform Plan (SRP) actions and indicators in the Business Plan, which are incorporated into Directors' business plans, is reported in the Annual Report and Accounts and published online.

2.1.7 Progress against core and agency business plans is reported to the Defra Board by exception, identifying significant risks or issues, and setting out performance against budget forecasts.

2.1.8 The One Business programme is setting out a new way of working for core Defra and its Agencies. This means developing a future business model that is more strategic, flexible and resilient, to deliver a better customer experience at a lower cost.

## 2.2 Governance and monitoring

2.2.1 The **Defra Board** has oversight of the performance of the core Department, Network Bodies and the work of its sub-committees. It regularly scrutinises and challenges financial and performance data relating to core Defra, the larger Network Bodies including major commercial projects, and maintains a strategic oversight of the Department's significant activities and risks. The Board meets quarterly and brings together the Ministerial Team, the Permanent Secretary, four Director Generals, the Finance Director, and four Non-Executive Directors (NEDs).

2.2.2 The **Executive Committee** comprises the Permanent Secretary, four Directors General and the Finance Director. Its main focus is on the operation and performance of the Department, and it provides a further layer of assurance and challenge with regard to the Department's effective use of resources. The Executive Committee is supported by Panels on Risk, Operations, People and Finance.

2.2.3 The **Audit and Risk Committee** (ARC, sub-committee of the Defra Board) advises me and the Board on issues of risk, control and governance. It meets approximately 5 times each year and is chaired by a Non-Executive Director, with 3 other Non-Executive members.

2.2.4 The **Nominations Committee** (sub-committee of the Defra Board) ensures that there are satisfactory systems for identifying and developing leadership, and scrutinises incentives and succession planning for the Board and the senior leadership of the Department. It is chaired by the Lead Non-Executive Director.

2.2.5 The accountability relationship between the Chief Executive of an Agency and the Principal Accounting Officer is in relation to financial and performance management. The Chief Executive is responsible for establishing appropriate governance, control and risk management measures in the Agency. Assurance on this is provided to the Principal Accounting Officer via the annual governance statement (see para 2.3.3) from the Chief Executive.

2.2.6 **Executive Agency** CEOs are supported by an Agency Management Board (AMB), which is chaired by a NED and on which other NEDs and the Agency senior team sit.

2.2.7 Defra's **Director General Chief Operating Officer** (DG COO) acts as single Corporate Owner for the **Executive Agencies**, holding them to account for performance measured against targets and Agency internal processes, and taking a strategic view of the Agencies' interaction with Defra.

2.2.8 **Quarterly Performance Reviews** are held between the DG COO, the Agency CEO and a Defra Director with a policy interest in a particular Agency's business who takes on the role of Corporate Customer. The output of this review is reported to the Defra Board.

2.2.9 Agency **Audit and Risk Committees**, attended by a representative of Defra's Finance Director, advise the Agency Boards on governance, control and risk management from an advisory committee of non-Executives.

2.2.10 The Rural Payments Agency is additionally governed by quarterly meetings between the Minister, the Chief Executive and DG COO and monthly 1-1s between DG COO and the Chief Executive.

## 2.3 Audit and Assurances

2.3.1 Defra's Internal Audit and Assurance team undertakes a programme of risk-based internal audits and advisory work to provide assurance to me, the ARC and the Board on the overall adequacy and effectiveness of the Department's framework of governance, risk management and control.

2.3.2 **External Audit** is provided by the National Audit Office (NAO, staff of the Comptroller & Auditor General) which is responsible on behalf of Parliament for holding Defra to account for the way it uses public money, thereby safeguarding the interests of taxpayers. This is achieved through the independent audit of Defra's annual financial statements on behalf of Parliament and through its programme of value for money reviews.

2.3.3 The **Governance Statement** in Defra's Annual Report and Accounts provides an assessment of the way in which these controls and processes operate in practice. Each Network Body must provide the Department with a copy of its own Governance Statement which has been approved by their ARC. Defra's draft Governance Statement is subject to the scrutiny of the ARC, with NAO and internal audit representatives, and the Defra Board, before it is published in the Department's Annual Report and Accounts. The Governance Statement provides important evidence on the effective operation of internal controls, accountability and governance, including the following.

- A high-level commentary and assurance on risk management and internal controls in Core Defra and Network Bodies.
- An overview of financial management and internal controls and processes, built up from a body of evidence and subject to audit scrutiny. This evidence



includes an Assurance Statement signed by each Director or CEO of an Agency confirming the proper operation of internal controls and governance, including financial controls, in their areas of responsibility for the year in question.

- Findings from Key Control Audits and other evidence such as the Head of Internal Audit's annual 'Opinion'.

## **2.4 Risk**

2.4.1 Defra's Board is responsible for the Department's approach to risk and for the overall level of risk borne by Defra. The Board reviews the status of the top risks to the Department's priorities at each meeting. A central strategic risk register is maintained and is discussed as part of performance management information at Board meetings.

2.4.2 The Risk Panel supports Defra's Executive Committee in its oversight of the Department's handling of risk, with a particular focus on strategic risk, risk appetite and risk processes. The Panel, as part of the executive, has no formal governance relationship with Defra's ARC, which provides independent, non-Executive scrutiny. The ARC reviews the work programme of the Risk Panel and its effectiveness, as part of its assurance role for the Board and Accounting Officer.

## 3. Non-Departmental Public Bodies (NDPBs)

Defra has two types of NDPB - **Executive** and **Advisory** - and the governance for each one reflects the nature, responsibilities and risks of that body.

### 3.1 Executive NDPBs

3.1.1 Defra's Executive NDPBs are *Natural England, Environment Agency, Marine Management Organisation, Kew, Joint Nature Conservation Committee, Consumer Council for Water, Gangmasters Licensing Authority* (which moved to the Home Office from 9 April 2014), *the National Forest Company, the Agriculture and Horticulture Development Board and Sea Fish Industry Authority*. With the exception of the National Forest Company, they are created through legislation, which specifies their purpose and functions, what powers are invested in them, and how they should be financed. The National Forest Company is not created through legislation and is a company limited by guarantee. Full governance details for all of them are set out in a Framework Agreement which each organisation draws up, as well as in their own Annual Report and Accounts.

3.1.2 Each has its own independent Board, Chairman and Executive Management Team, with the Chief Executive Officer (CEO) designated as the Accounting Officer for that organisation.

3.1.3 NDPBs operate with statutory independence and are not under day-to-day ministerial control. Nevertheless, Ministers are ultimately accountable to Parliament for NDPBs' efficiency and effectiveness. The Secretary of State appoints the Chair and Board Members and they are directly responsible to the Secretary of State; the NDPB's Board appoints the Chief Executive, in agreement with the Secretary of State; and the Principal Accounting Officer confirms the Chief Executive as the NDPB Accounting Officer. For larger bodies, the Secretary of State holds performance reviews with the Chair to consider progress against the organisation's Corporate Plan and Defra's ministerial priorities.

3.1.4 A Delegated Authority letter from the Principal Accounting Officer to the Chief Executive confirms the Chief Executive's responsibilities as Accounting Officer for that organisation and for ensuring the delivery of the business plan that is agreed with the Secretary of State. A Delegated Authority letter from the Defra Sponsor Director specifies the budgets delegated to the Chief Executive.

3.1.5 A framework document or agreement sets out the details of the relationship between the Department and the NDPB. A business plan or a corporate plan sets out the strategic aims and performance objectives of the NDPB, and are signed off by Ministers. Ministers agree funding and key objectives for each NDPB and, together

with Defra's Board, hold them to account. The Chief Executive is responsible for establishing appropriate governance, control and risk management measures in their organisation.

3.1.6 The four largest (in terms of proportion of Defra's budget and profile of the work covered) Executive NDPBs (*Natural England, Environment Agency, Marine Management Organisation and Kew*) report quarterly to the Defra Board on key performance measures (with quality assurance from the Defra sponsor team and sponsor Director General). The Chair and Chief Executive report to the Secretary of State and Ministers at least every six months on performance or more if required to do so.

3.1.7 A designated Defra Policy Director acts as the corporate sponsor for the NDPB. The Policy DG holds regular meetings with the Chief Executive. Sponsor teams, with support from policy teams where appropriate, are in day-to-day contact with delivery counterparts in the NDPB and are responsible for ensuring that business plan targets deliver agreed policy outcomes.

3.1.8 The NDPB Board and Accounting Officer receive advice on governance, control and risk management from its Audit and Risk Committee, an advisory committee of non-Executives. The minutes of the NDPB Audit and Risk Committee are shared with Defra. The NDPB ARC Chair meets periodically with the Defra ARC Chair.

## **3.2 Advisory NDPBs**

3.2.1 Defra's **Advisory NDPBs** are the *Advisory Committee on Releases to the Environment, Independent Agricultural Appeals Panel, Science Advisory Council, Veterinary Products Committee and Advisory Committee on Pesticides*. Advisory NDPBs receive minimal or no funds from Defra, usually limited to the fees and expenses of the members. Governance arrangements reflect this via a risk based approach. Some have a Board and Framework Document (*Advisory Committee on Releases to the Environment*); some are accountable through other bodies (e.g. *Independent Agricultural Appeals Panel* via the Chief Executive of the Rural Payments Agency).

## 4. Public Corporations and Non-Ministerial Department

4.1 Defra has one **Non-Ministerial Department** which falls inside the Departmental accounts boundary (*Forestry Commission*). *Ofwat* (a Non-Ministerial Department) and the *Covent Garden Market Authority* (a **Public Corporation**) fall outside the boundary.

4.1.1 The *Forestry Commission* is a Non-ministerial department which has a Royal Charter. It is the body through which the Forestry Commissioners discharge their forestry functions. The Commissioners and their functions are derived from statute, principally the Forestry Act 1967. Defra's Secretary of State is responsible for recommending who should be appointed (by Royal Warrant) as Chair of the Board of Forestry Commissioners. The Forestry Commission Director England is the Accounting Officer for the funding provided through Defra.

4.1.2 The *CGMA* is a public corporation, responsible for the stewardship of CGMA's funds and management of its assets. The CGMA Chief Executive is appointed by the CGMA Chair and Board (in conjunction with the Secretary of State). The Secretary of State appoints the CGMA Chair and Board members. Defra's Principal Accounting Officer confirms the Chief Executive as the Authority's Accounting Officer. The CGMA's Accounting Officer is responsible for ensuring that systems are in place to monitor CGMA's activities, its financial management and decision-making procedures, so that they meet high standards of corporate governance at all times. The relationship between the Authority and Defra, as sponsoring department, is set out in a framework document.

4.1.3 As a Non-ministerial government department, *Ofwat* is directly accountable to Parliament for its financial expenditure and must report to Parliament on an annual basis through its Annual Report and Accounts which are laid by HM Treasury. *Ofwat*'s Accounting Officer and the *Ofwat* Board have responsibility for maintaining corporate governance that supports the achievement of *Ofwat*'s policies, aims and objectives, while safeguarding the public funds and departmental assets. This is in accordance with the responsibilities set out in 'Managing Public Money'. The Accounting Officer is accountable to the Chairman and Board for all aspects of *Ofwat*'s work. This includes the management of risk. *Ofwat*'s duties are laid down by legislation, in particular the Water Industry Act 1991 and the Water Act 2003.

## 5. Other Bodies

5.1 Defra may allocate funds and grants to other bodies, for example to voluntary organisations, private companies and charities. Defra ensures that a contract, a Memorandum of Understanding or a Service Level Agreement is in place to ensure that such funds are controlled effectively and services are delivered. The following section sets out the arrangements for key delivery partners in the private, public and voluntary sectors.

5.1.1 *Waste and Resources Action Programme (WRAP)* is a not for profit company limited by guarantee, subject to the provisions of the Companies Act and audited within the provisions of that Act. It has an annual Grant Agreement, with Defra, setting out the conditions on how the funding can be used. A detailed programme of delivery is agreed annually between Defra and WRAP, with performance against these deliverables monitored on a quarterly basis. WRAP reports on its high level objectives quarterly to the Defra Board. WRAP operates according to the principles of Corporate Governance as set out in the Combined Code on Corporate Governance. WRAP has an Audit Committee that considers the integrity of financial statements, the internal financial controls and risk management systems. The Committee reports to the WRAP Board, which has a Defra representative as a Non-Executive Director. WRAP delivers some of its work through third parties. For larger areas of work, contracts are awarded according to EU procurement rules.

5.1.2 *National Park Authorities* are established by orders under the 1995 Environment Act. Their purposes, powers and constitution are set out in legislation. They are not local authorities, although they are treated as such for certain purposes, particularly their role as planning authority for their area. They are independent bodies to which many of the statutory requirements that apply to local government are applied, including for the conduct of meetings and decision making, and for the external audit and publishing of accounts. Each authority has between 5-8 'national' members who are appointed by the Secretary of State, alongside local councillor members appointed by each local authority, and members selected by the parish councils in the area. Each authority has a five year National Park Management Plan which sets out strategic objectives for the Park. They publish an Annual Report on their performance. NPAs receive the majority of their income in the form of Grant-in-aid from Defra. Oversight takes the form of performance monitoring and regular discussion with the policy team. A comprehensive review of each authority is undertaken every five years by a peer review team from other National Park Authorities. The review report provides a basis for improving performance and is made available to Defra.

5.1.3 *The Broads Authority* was established by specific legislation, the Norfolk and Suffolk Broads Act 1988. Its purposes, powers and constitution are set out in

this and the Broads Authority Act 2009. It is not a National Park Authority, but is treated in the same way. It is not a local authority but is the planning authority for the Broads and is an independent body to which the statutory requirements that apply to local government are applied. The Broads Authority has 21 members. Ten are appointed by the Secretary of State after consulting specified interests, nine are councillors appointed by the local authorities, and two are appointed by the Navigation Committee. The Authority has a five year Management Plan which sets out strategic objectives for the Broads. They publish an Annual Report on their performance. The Authority receives most of its income via Grant-in-aid from Defra and tolls paid by users of the Broads. The Authority's Financial Scrutiny and Audit Committee scrutinises accounts and ensures that financial planning risk is managed effectively. The Broads Authority participates fully with National Park authorities in the same comprehensive peer review process.

- 5.1.4 *Internal Drainage Boards (IDBs)* are locally funded and independent statutory public bodies, responsible for water level management in areas of special drainage need. They operate predominantly under the Land Drainage Act 1991 and have permissive powers to undertake work within their districts. There are now 120 IDBs in England, concentrated in East Anglia, Yorkshire, Kent, Sussex, Somerset and Lincolnshire. They are funded largely by a mixture of drainage rates paid by farmers and by special levies on unitary and district local authorities. IDBs do not receive funding from Defra although they may apply for Grant-in-Aid funding for specific flood risk management schemes through the partnership funding process. The Land Drainage Act 1991 requires IDBs to report annually on financial expenditure and other issues such as asset management and biodiversity action plans. The reports are submitted to Defra and information is shared with the Department for Communities and Local Government (DCLG). Under the Local Audit and Accountability Act 2014, a new transparency code will be introduced for all smaller local public bodies including IDBs (with a turn-over not exceeding £25k). Defra is working with DCLG to ensure this provides sufficient accountability to local communities. The Environment Agency has a supervisory duty in relation to flood/water operations for IDBs. The Association of Drainage Authorities (ADA), supported by Defra, has been taking action to share best practice and improve governance and accountability improvements across all IDBs in England. Information on ADA can be found online at <http://www.ada.org.uk/>.

## 6. The Distribution of Funding

6.1 Defra's annual funding is agreed by Parliament. I am accountable for maintaining the established control totals on an annual basis.

6.2 There are separate control totals for Resource and Capital Departmental Expenditure limits (RDEL and CDEL). On an annual basis, HMT issues the Main Estimate, providing the annual breakdown of the Department's overall funding settlement. There is an opportunity to redistribute funds between control totals once a year through the Supplementary Estimate process, if agreed by HMT. Beyond this, it is my responsibility as Principal Accounting Officer for the Department to delegate the authority to commit these resources, together with the responsibility for proper stewardship of these resources and compliance with the requirements of *Managing Public Money*.

6.3 All high risk, high cost projects are subject to HMT approval processes. Additionally, major projects which have significant ICT expenditure above £50m require HMT Major Project Review Group approval, while all ICT projects above £5m require Cabinet Office approval.

6.4 There are different processes in place for Resource and Capital allocations. Ministers determine the allocation in accordance with the Department's funding settlement from HMT and to reflect Government priorities.

### 6.5 Resource budget - Core Department

6.5.1 Prioritisation for allocation of resource is decided by Ministers and supported by the Board and Executive Committee.

6.5.2 In Core Defra, authority is delegated to Directors to commit the Resource allocation of the Main Estimate (which includes Administration), together with the responsibility for proper stewardship of these resources and compliance with the requirements of *Managing Public Money*. Directors' accountability is formalised through Delegated Authority Documents (DADs).

6.5.3 Directors' business plans align allocations of resources to reflect the prioritised outcomes of the Department, as agreed with the Secretary of State. Within this, the **Finance Panel** will:

- approve the allocation of detailed budgets, including the outcomes of Ministerial prioritisation exercises, annual business planning and Spending Review exercises;

- scrutinize the forecast expenditure position and performance against business plans;
- challenge business cases to ensure value for money and compliance with relevant guidance, ahead of recommendations to the Executive Committee and Ministers.
- consider material matters of a financial or commercial nature ahead of submission to the Executive Committee, as required.

## **6.6 Resource Budget - Network Bodies**

- 6.6.1 I confirm the appointments of the Accounting Officers of Defra's Executive Agencies and NDPBs. Each Network Body Accounting Officer receives a DAD outlining expectations and areas of responsibility and accountability.
- 6.6.2 Network Body Accounting Officers are accountable for their overall budgets whether they receive funding from Defra buying services (in the case of net control agencies) or as Grant-In-Aid from Defra (in the case of NDPBs and gross control agencies).
- 6.6.3 For Executive Agencies, the majority of funding is allocated through Directors (in addition to the external funding or income that may they receive). Directors are held accountable for the outcomes in their Business Plans, including the direct spend with Agencies to deliver those outcomes. The DG COO provides overall accountability for budgets of the five Executive Agencies and therefore a clear reporting line between the Agency Accounting Officers and me.
- 6.6.4 For NDPBs, the majority of funding is provided through a Defra Director (the "sponsor" Director), who delegates authority for expenditure to the NDPB Chief Executive.

## **6.7 Capital Budget – Core Department and the Network Bodies**

- 6.7.1 With the exception of Environment Agency flood defences and some other small Capital budgets determined by Ministers, Capital allocation is controlled by the Heads of Profession/Function (HoP/F) Capital Panel, on behalf of the Finance Panel, and is delegated for specific Capital projects. Business cases for projects and conditions of funding are scrutinised by the Capital Panel through heads of function for Estates, Information Services and Scientific Equipment.



## 7. Local Authority Funding and Accountability

7.1 For local authority services in which Defra has a policy interest, central Government funding is generally provided either through the Revenue Support Grant (from the local government budget) or through specific Defra revenue grants (from the Defra budget). Funds provided through RSG are several orders of magnitude greater than through specific Defra grants (billions versus millions). Defra and the Environment Agency also provide some minor capital grants to local authorities and local authorities fund some services and capital investments of policy interest to Defra from council tax or other receipts. The Department of Communities & Local Government's Accounting Officer, as lead Accounting Officer across central government with respect to local government, provides the assurance that a core framework is in place that requires local authorities to act with regularity, propriety and value for money in the use of all of these resources.

7.2 Within this framework, local authorities are responsible and accountable for the legal use of funds, and every local authority has a responsibility to make arrangements for the proper administration of their financial affairs and to ensure that one of their officers is accountable for the administration of those affairs. A system of legal duties requires councillors to spend money with regularity and propriety. Local authorities are required to have an annual external audit, and the certification of authorities' annual accounts by the auditor provides general assurance that the totality of their expenditure is within their legal powers. Local authority auditors also assess whether authorities have used their resources effectively as part of their annual audit of accounts.

7.3 As well as the accountability provided through this framework, specific Defra grants, for example for flood prevention are often provided in recognition of a statutory obligation on local authorities to perform a function or provide a service. Other Defra grants may be made to address a specific need, for example for a time-limited programme or project and can be demand-led, reimbursing expenditure in areas where it is difficult to forecast, or 'pump priming', or piloting new approaches or policies. In such cases, value for money is scrutinised in the relevant approvals process and outcomes are specified explicitly in the agreement and claim processes. These arrangements are established in a way that allows local authorities the flexibility to respond to local priorities, pursue balanced outcomes and choose their own methods of achieving desired outcomes, whilst taking into account Defra's policy intentions.

## 8. Underperformance and Failure

- 8.1 Defra has a clear line of accountability, giving Directors responsibility and holding them to account for performance. Business plans are the baseline against which performance is assessed.
- 8.2 Monthly Director Update Reports against Business Plans are produced by each business area, assessed by the Board Secretariat and form part of the Management Information Pack, which is scrutinised by the Defra Board. Performance reporting links explicitly to Directors' business plans and is aligned with finance reporting. Performance reporting is produced on an exceptions basis in the Management Information, which includes a summary of risks and opportunities for each area.
- 8.3 The quarterly forecasting process has been strengthened to ensure a stronger forecast of under-spends and pressures. Forecasts are analysed and reported to a Quarterly Review between DGs and the Finance Director, which is a key control process as recognised by the NAO. They provide the opportunity for challenge and enable both the DG and the Finance Director to agree a forecast position for Defra and provide a clear line of accountability from Director to DG level. These reviews are part of the system which enables Defra to make effective strategic decisions about its funding.
- 8.4 For Defra's Network Bodies, the governance arrangements are the route through which underperformance and failure are dealt with. For Executive Agencies, Defra's DG COO has a clearly defined relationship with each Chief Executive. As the single corporate owner of Defra's five Executive Agencies, the DG COO provides a clear reporting line between me and the Executive Agency Accounting Officer. This is in addition to scrutiny and challenge by the Agency Management Boards

## 9. Conclusion

9.1 Defra has in place a robust system of accountability for the use of public funds which I can rely on as Accounting Officer. This system allows me to provide the assurance that Defra and its Network Bodies spend public money in line with regularity, propriety and value for money (the principles set out in *Managing Public Money*). The key elements are legal and financial controls underpinned by a set of clearly-defined governance structures. Together these ensure that spending is allocated and used to generate value for the public, transparently and with appropriate accountability to Parliament

Bronwyn Hill

Permanent Secretary, Defra