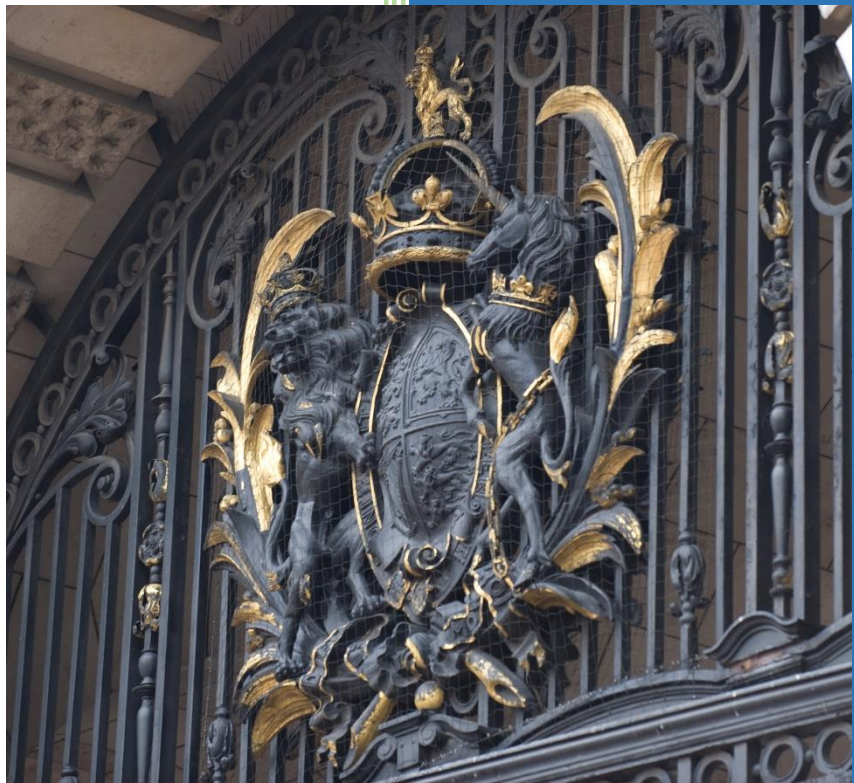


Accounting Officer's System Statement



Cabinet Office

2017

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Scope of the System

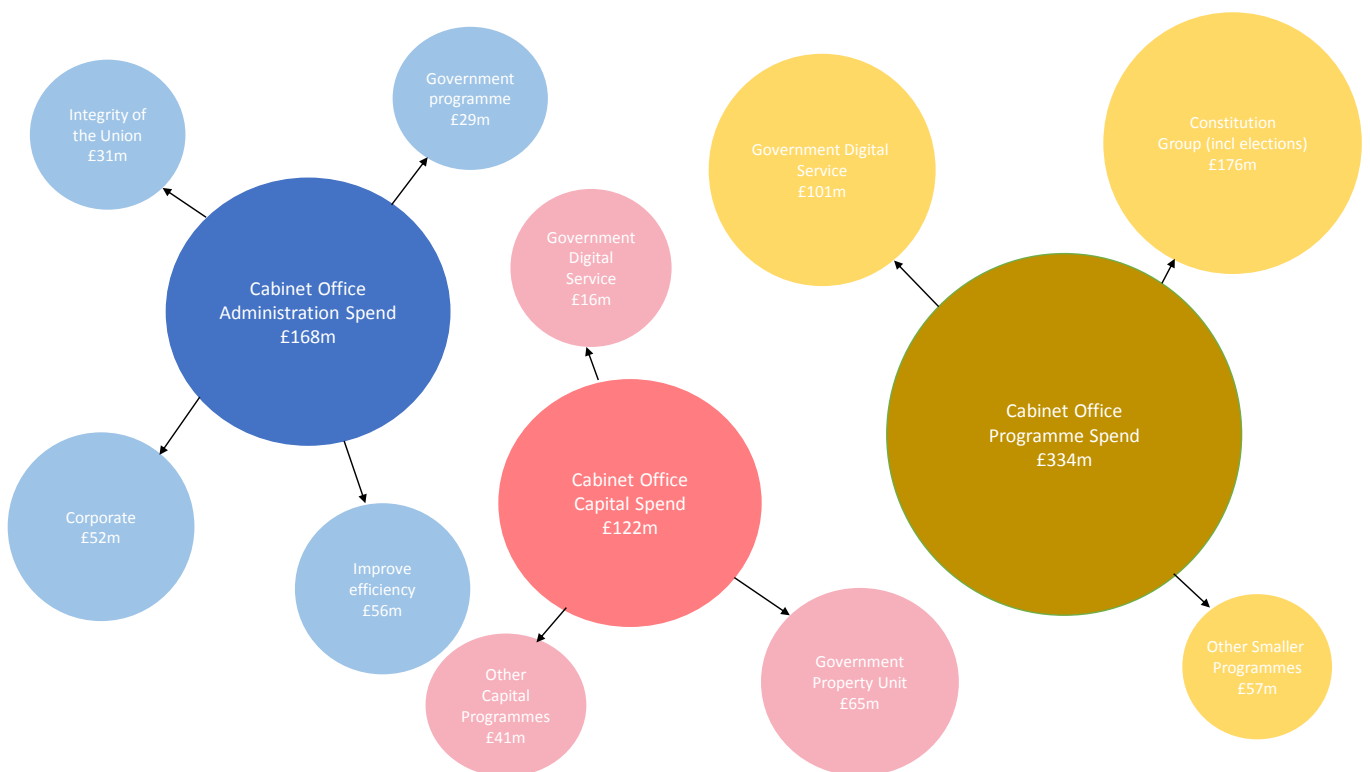
I am the Principal Accounting Officer for the Cabinet Office. This System Statement sets out all of the accountability relationships and processes within my Department, making clear who is accountable for what at all levels of the system.

My Department has the following purpose and areas of responsibility:

- (1) Maintaining the integrity of the Union, coordinate the security of the realm and ensure a flourishing democracy;
- (2) Support the design and implementation of HM Government's policies and the Prime Minister's priorities;
- (3) Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government.

My Department also has responsibility for a number of Arm's-Length Bodies as set out in section 4.

Cabinet Office Budgets – 2017/18 (£million)



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

As Accounting Officer, I am personally responsible for safeguarding the public funds for which I have been given charge under the Cabinet Office Estimate and ensuring that resources authorised by Parliament and sums paid out of the Consolidated Fund, in respect of the Cabinet Office are used for the purposes intended by Parliament. I am also responsible for the Civil Superannuation Account. Where I have appointed additional Accounting Officers, their responsibilities are also set out in this system statement.

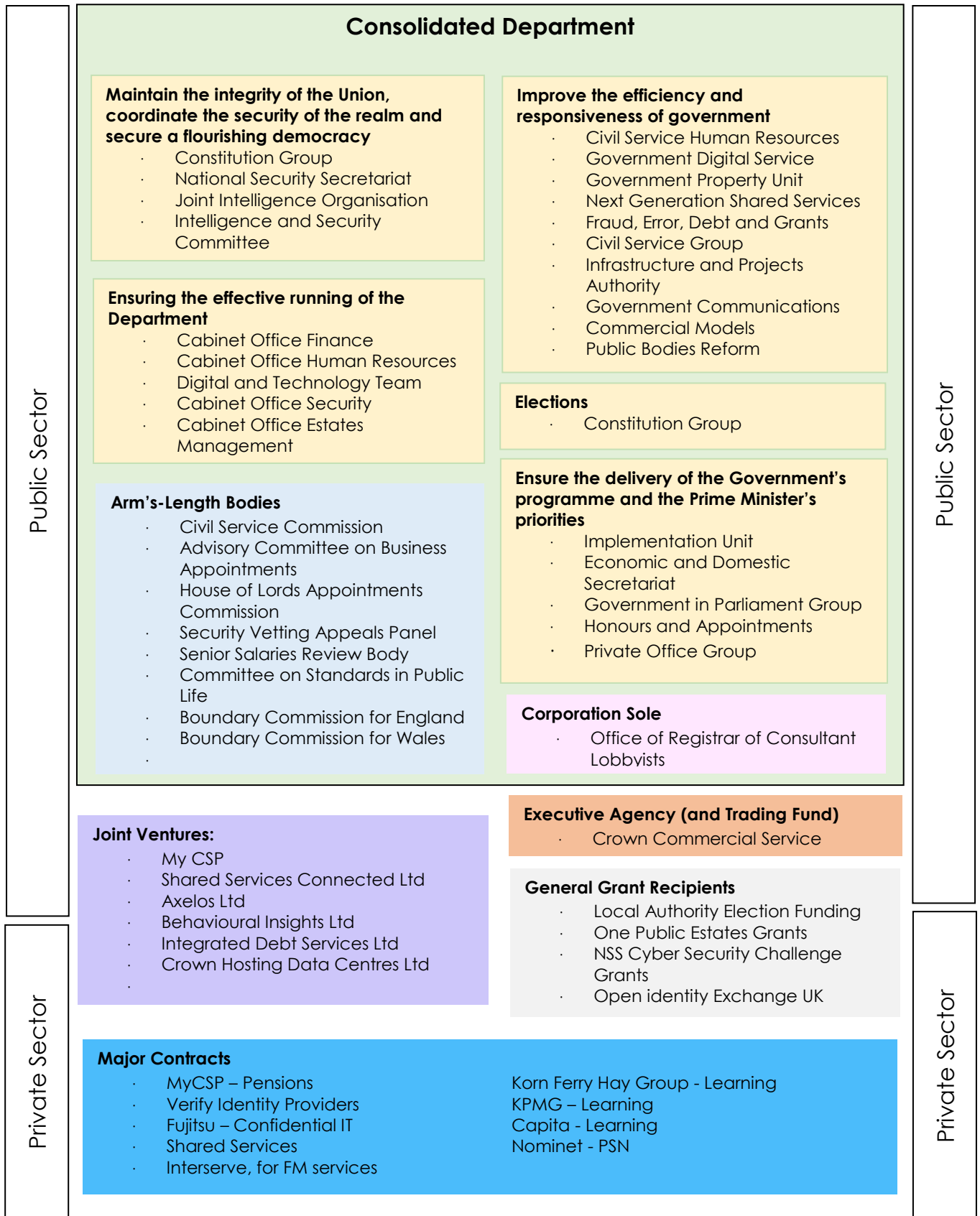
The Statement covers my core Department, its arm’s length bodies and other arm’s length relationships. It describes accountability for all expenditure of public money through my Department’s Estimate, all public money raised as income, and the management of shareholdings, financial investments and other publicly owned assets for which I am responsible.

Cabinet Office Arm’s-Length Bodies

<p>Executive Non-Departmental Public Bodies</p> <ul style="list-style-type: none"> • Civil Service Commission <p>Advisory Non-Departmental Public Bodies</p> <ul style="list-style-type: none"> • Advisory Committee on Business Appointments • Committee on Standards for Public Life • House of Lords Appointments Commission • Main Honours Advisory Committee • The Boundary Commission for England • The Boundary Commission for Wales • Security Vetting Appeals Panel • Senior Salaries Review Body 	<p>Statutory Offices</p> <ul style="list-style-type: none"> • Office of the Commissioner for Public Appointments • Office of the Registrar of Consultant Lobbyists <p>Joint Ventures</p> <ul style="list-style-type: none"> • MyCSP • Axelos • Shared Service Connected Limited (SSCL) • Behavioural Insights • Crown Hosting Data Centre • Integrated Debt Services Limited <p>Executive Agencies</p> <ul style="list-style-type: none"> • Crown Commercial (CCS)* <p><small>*CCS is also a Trading Fund</small></p>
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This system statement helps me ensure that I am fulfilling my responsibilities as an Accounting Officer, in accordance with the Treasury’s guidance set out in Managing Public Money. The statement describes the accountability system which is in place at the date of this statement, and which will continue to apply until a revised statement is published.

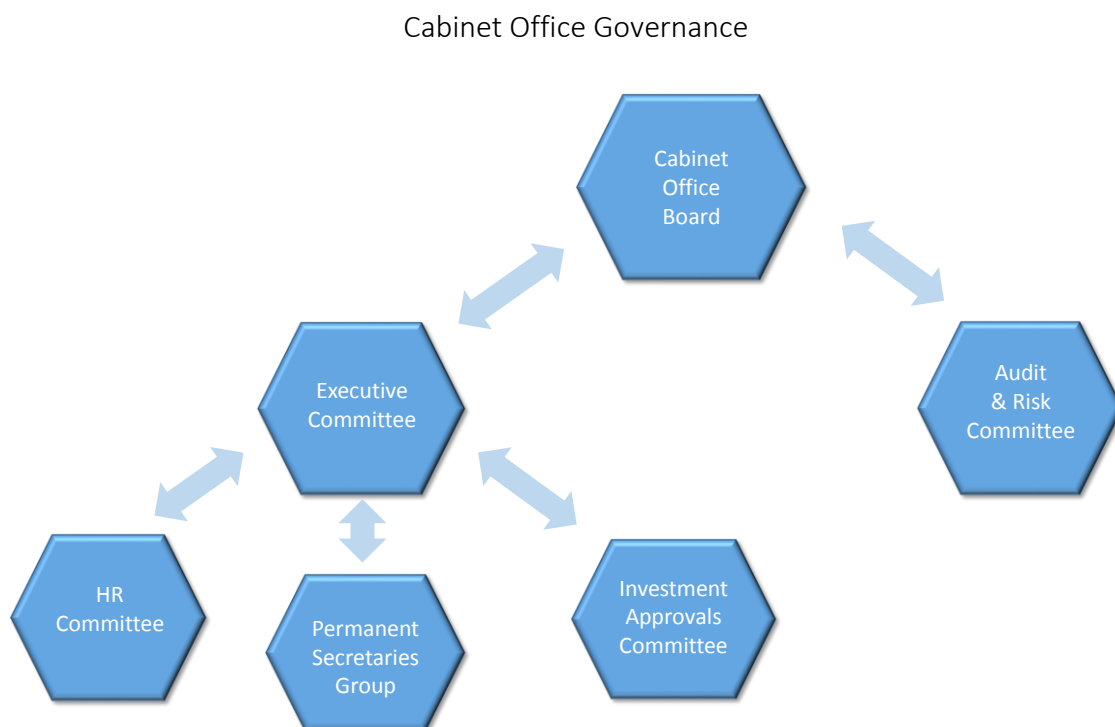
Diagram of the System



Responsibilities within the Core Department

The Cabinet Office Board is responsible for the strategic and operational leadership of the Department, bringing together its Ministerial and executive leaders along with non-executives from outside Government. The Board receives regular updates on the Department's financial and non-financial performance and assessment of strategic risk. The Board meets approximately once per quarter throughout the year.

The Executive Committee of the Cabinet Office is made up of Permanent Secretaries, Directors General and Directors from across the Department and is chaired by the Permanent Secretary. It is also attended by the Department's Diversity and Inclusion Champion. It scrutinises delivery and performance across all Cabinet Office business areas, and challenges the delivery of objectives. It receives regular business reports and updates from its sub-committees. The Executive Committee meets once per month throughout the year. The Executive Committee receives a performance pack each quarter setting out progress against objectives, major projects, information management, workforce, finance, risk, and audit recommendations.



The Cabinet Office Audit and Risk Committee (COARC) is a Board Committee attended by the Permanent Secretary, Finance Director, Non-Executive Board Members and representatives from the National Audit Office and the Government Internal Audit Agency. It is chaired by a non-executive Board member. COARC provides an independent view of the Department's risk control and corporate governance arrangements, while assessing the robustness and integrity of those assurances. The committee meets quarterly and receives updates on strategic risk and progress on audit recommendations. At each main meeting of COARC updates are

reviewed on at least two of the strategic risk areas. It also receives updates on fraud, data loss and whistleblowing incidents at each meeting. An update on compliance standards is provided to the committee bi-annually.

The Investment Approvals Committee is a sub-committee of the Executive Committee and is responsible for reviewing and approving investment cases for programmes, projects and other contracts above £1m or those that are novel, contentious or sensitive. HM Treasury approval is also required for all programmes and projects above £5m. The committee is attended by representatives from the Infrastructure and Projects Authority, Cabinet Office Legal, the Portfolio Office, Analysis and Insight Team, and is chaired by the Finance Director. The committee's scrutiny and advice takes into account guidance, especially that in the HM Treasury Green Book, to ensure that proposals are supported by a robust case for change, optimise value for money, are commercially viable, are financially affordable and are achievable. The committee meets once a month, or more regularly if workload requires.

The Human Resources Committee is a sub-committee of the Executive Committee made up primarily of Directors General and Directors from across the Department. It is Chaired by the Director General, Propriety and Ethics and attended by the Finance Director and Human Resources Director. It is responsible for reviewing the Department's workforce plans and composition, and establishment of new posts and engagement of interim staff, scrutinising and challenging proposals to ensure consistency and affordability. It is also responsible for approving key departmental HR policies.

The Risk Review Board is an informal Board of Directors General and Directors from across the Department and is chaired by the Finance Director. It meets once per quarter to review strategic risk management and control within the Department and appropriate escalation of risks to the Executive Committee. Executive Directors are responsible for the identification, assessment and timely escalation of risk within each business area.

The Government Internal Audit Agency carries out a programme of reviews throughout the year into all aspects of governance, risk and control arrangements. Report recommendations are translated into actions which are agreed with the Department. Agreed actions are tracked by the Department and progress on implementation is reported to the Executive Committee and COARC each quarter. At the end of each financial year the Head of Internal Audit provides an independent opinion on the adequacy and effectiveness of the Department's governance, risk and control arrangements.

The National Audit Office carries out a programme of reviews of the Department's work, including value for money investigations. Audit report recommendations are translated into actions with progress on implementation tracked and reported to the Executive Committee and COARC each quarter. The NAO is also responsible for the external audit of the Department's Annual Report and Accounts.

The Public Accounts Committee may hold a hearing in relation to any NAO value for money report or specific areas of spend within the Department. Following a PAC report the

Government response, in the form of a Treasury Minute, is provided to HM Treasury by the Department. Progress against agreed actions to address recommendations is tracked and reported to the Executive Committee and COARC each quarter and a progress report is provided to HM Treasury bi-annually.

The Permanent Secretary and Accounting Officer of the Cabinet Office is the Accounting Officer for the Civil Superannuation Account which includes the Principal Civil Service Pension Scheme and the Civil Servants and Others Pension Scheme. The Scheme Manager is the Minister for the Civil Service. The Accounting Officer for the Cabinet Office is also the Accounting Officer for the Royal Mail Statutory Pension Scheme. Both the Civil Superannuation Account and the Royal Mail Statutory Pension Scheme publish separate audited Annual Report and Accounts. The Accounting Officer receives advice and assurance from the Cabinet Office Audit and Risk Committee which considers reports relating to the schemes. In addition there is a Civil Service Pension Board to support the Scheme Manager and a Scheme Advisory Board to provide policy advice to the Minister, when requested.

In addition to the Permanent Secretary who is the Accounting Officer for the Cabinet Office there are three further Accounting Officers: The Chief Executive of the Civil Service Commission, an Arms-Length Body of the Department; the Registrar of Consultant Lobbyists, a corporation sole of the Department and the Chief Executive of Crown Commercial Service (CCS), an Executive Agency of the Department. CCS is a trading fund whose Accounting Officer is appointed by HM Treasury.

The Infrastructure and Projects Authority is a joint HM Treasury and Cabinet Office unit, however, financial accountability for IPA falls solely under the responsibility of the Accounting Officer for the Cabinet Office.

The Single Intelligence Account (SIA) is the funding vehicle for the Security and Intelligence Agencies: Secret Intelligence Service, Government Communications Headquarters and the Security Service. Financial responsibility for the SIA lies with the National Security Advisor, who is based in the Cabinet Office and leads the National Security Secretariat. The Prime Minister has overall responsibility for intelligence and security matters and is accountable to Parliament for matters affecting the Agencies collectively. The Agency Heads have a statutory duty to provide annual reports directly to the Prime Minister as well as to their Secretary of State.

Arms-Length Bodies

The Cabinet Office sponsors a number of Arms-Length Bodies, the majority of which are small advisory NDPBs that provide specialist advice. There is one executive agency and one executive Non-Departmental Public Body.

Crown Commercial Service

Crown Commercial Service (CCS) is an Executive Agency and a Trading Fund under the Government Trading Funds Act 1973. All resource to run the Agency is raised through the trading fund. CCS provides commercial and procurement expertise and services to Government and the wider public sector. Income is earned from payments made direct from customers or suppliers for its products and services. CCS produces its own Annual Report and Accounts. CCS has its own Chief Executive and Accounting Officer.

The CCS Board supports and provides challenge to the Chief Executive and Accounting Officer on matters of strategic importance to CCS. In addition, the Board is responsible for endorsing the CCS Strategy and annual Business Plan, and scrutinising and endorsing major business cases of above £700,000 prior to approval by the Accounting Officer and other central Government controls. Monthly performance and finance reports enable the Board to review progress against strategic objectives, budgets and key programmes.

There are two sub-committees of the CCS Board: the Senior Appointments and People Committee, and the Audit Committee. The Senior Appointments and People Committee ensures that resourcing, succession planning and developmental strategies are in place for senior leadership roles within CCS, i.e. those in Senior Civil Service posts. The Audit Committee advises the CCS Board and Accounting Officer on the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the Annual Report. In addition the executive Senior Leadership Team, led by the Chief Executive, manages the delivery of CCS's strategic aims and provides leadership to the organisation. The Senior Leadership Team is supported by three internal Boards covering People, Change and Transformation, and Investments and Estates.

Civil Service Commission

The Civil Service Commission (CSC) is an executive NDPB of the Cabinet Office, led by the First Civil Service Commissioner. The CSC regulates recruitment to the Civil Service. It also helps promote the Civil Service values of Honesty, Integrity, Objectivity and Impartiality, and hears complaints under the Civil Service Code. It has its own Accounting Officer (its Chief Executive), an Audit and Risk Committee and publishes its own accounts.

CSC is funded by grant-in-aid from the Cabinet Office, overseen by a Cabinet Office sponsor team. Its powers are laid down in the Constitutional Reform and Governance Act 2010 and there is a Memorandum of Understanding between the Cabinet Office and the CSC which sets out how the two organisations work together. CSC is host to the Office of the Commissioner for Public Appointments, which is a statutory body and its budget also incorporates the budgets of two other Cabinet Office advisory NDPBs; the House of Lords Appointments

Commission and the Advisory Committee on Business Appointments. The Accounting Officer for CSC is the Accounting Officer for both of these bodies and both publish Codes of Practice setting out the role of the each Committee.

The Office of Registrar of Consultant Lobbyists

The Office of the Registrar of Consultant Lobbyists (ORCL) is a corporation sole, set up following the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014. ORCL is funded through the Cabinet Office main estimate and income from registration fees. It is focused on ensuring there is transparency in the work of consultant lobbyists and their engagement with Ministers and Permanent Secretaries on behalf of clients. The Registrar, who is also the Accounting Officer, is an independent office holder, responsible for keeping and publishing the Register of Consultant Lobbyists; making sure that the industry is following the requirement to register; and publishing detailed guidance for industry about their duties under the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014. ORCL publishes its own set of Annual Report and Accounts.

Other Non-Departmental Public Bodies

The remaining NDPBs are small advisory bodies. These NDPBs receive their funding directly from the Cabinet Office and each has a sponsor team within the Cabinet Office. The Cabinet Office Accounting Officer has overall responsibility for regularity, propriety and efficient use of funds within these bodies:

The Boundary Commission for England and the Boundary Commission for Wales are statutory bodies established to provide independent recommendations to the UK Government on the boundaries of UK Parliament constituencies in England and Wales respectively. Both conduct their work independently of the Government. Their budget, staff and all administrative support services are provided by the Cabinet Office as the sponsoring Department.

Security Vetting Appeals Panel is an advisory non-departmental public body, sponsored by the Cabinet Office. The Security Vetting Appeals Panel is an independent avenue of appeal for Civil Service staff and contractors whose security clearance has been refused or withdrawn.

Senior Salaries Review Body (SSRB) is an advisory non-departmental public body, sponsored by the Cabinet Office. SSRB provides independent advice to the Prime Minister, the Lord Chancellor, the Secretary of State for Defence, the Secretary of State for Health and the Home Secretary on the pay of Senior Civil Servants, the judiciary, senior officers of the armed forces, certain senior managers in the NHS, Police and Crime Commissioners and chief police officers.

Committee on Standards in Public Life (CSPL) is an advisory non-departmental public body, sponsored by the Cabinet Office. CSPL advises the Prime Minister on ethical standards across the whole of public life in England. It monitors and reports on issues relating to the standards of conduct of all public office holders.

Governance arrangements of ALBs are reviewed at intervals. Previously, Cabinet Office ALBs, in common with other ALBs across Government, were subject to triennial reviews, which reviewed the control and governance arrangements in place to ensure that the body in question complied with recognised principles of good corporate governance.

Tailored reviews must be undertaken at least once in the lifetime of a Parliament for each body, and aim to ensure public bodies remain efficient, effective, fit for purpose, well governed and properly accountable for what they do. All Cabinet Office ALBs have agreed dates for when their tailored reviews will be undertaken. The Crown Commercial Service (CCS) is also subject to a tailored review.

Third Party Delivery Partnerships

The Department does not have third party delivery partnerships to which it provides funds. However it runs the Launchpad programme for which the Department receives funds from Universities. The programme supports other Government Departments to engage with outside experts in order to generate ideas for priority projects and increase innovation across the Civil Service.

Funds provided by Universities passes through the Cabinet Office and must therefore follow Government spending rules as set out in Managing Public Money. Expenditure on the programme is subject to the Department's internal investment appraisal and procurement processes. This ensures that both the Department's Accounting Officer and the funding Universities are provided with the appropriate level of assurance.

Grants to Private and Voluntary Sector Bodies

The Department publishes guidance on minimum grants standards to ensure best practice is managed across all Government Departments. The Cabinet Office administers grant payments in line with this guidance and Managing Public Money.

Local authority election funding is paid through a Consolidated Fund Standing Service.

Cabinet Office also issues general grants to:

- Cyber Security Challenge UK, a not for profit organisation that offers a unique programme of activities to introduce appropriately skilled individuals to learning and career opportunities in the cyber security profession (circa £1 million in 2016-17);
- Local authorities through the One Public Estate programme (circa £12 million in 2016-17);
- Cabinet Office issues grants to local authorities for returning officers' expenses and individual electoral registration (circa £22 million in 2016-17).
- Open Identity Exchange UK, a not for profit organisation that supports the collaborative development and adoption of user-centred identity services (£0.5 million in 2016-17).

Details of grant schemes are available on the Government Grants Information System (GGIS).

All Cabinet Office grants have a named senior responsible officer (SRO). Grant funding requires the completion of a robust business case which sets out outputs and long-term outcomes. All new grants are considered for referral to the New Grants Advice Panel (NGAP) for review. All business cases over £1 million are considered for approval by the Investment Approvals Committee (IAC). All business cases between £100,000 and £1 million are considered by the Investment Approvals sub-committee. All grants are reviewed and approved before a formal commitment is made and the IAC and its sub-committee probe the involvement, including decisions taken on referrals made, of the New Grants Advice Panel (NGAP) during its review. The IAC and sub-committee carry out due diligence and checks as part of their review.

The Department uses a robust standard grant agreement for all grants which are approved. Grant sponsors obtain a Corporate Governance Assurance Statement from the grants recipient and are required to monitor the performance of the grants and conduct due diligence checks. Yearly reviews are carried out as part of the year-end audit process, which includes a financial reconciliation. Training is available to all those involved in the development and administration of grants.

Major Contracts and Outsourced Services

The Cabinet Office has a small number of large contracts with suppliers that represent a material proportion of the Department's spend. The details of these contracts are set out below. In general, Cabinet Office procurement takes place through established CCS framework agreements, thereby ensuring value for money. In the event that framework agreements are not available or applicable to a particular procurement, Cabinet Office procedures generally require a competition to be carried out.

Contracts for services to the public

Cabinet Office has a contract with MyCSP (a mutual joint venture company, in which it also has a shareholding) to administer the civil service pension arrangements. This contract went live in 2012 and runs for seven years, with an option to extend for a further three years and a value of circa £35 million per annum. The Cabinet Office has in place robust contract management arrangements to ensure that the required services are delivered, including a full contract governance structure, service credit arrangements, detailed management information and a full internal audit plan. The Department also regularly benchmarks the service provided and uses market testing to ensure that value for money is being achieved.

Verify is the Government's solution for authenticating citizens identities when they access public services. The programme is run by the Government Digital Service and it relies on private sector identity providers to check and assure credentials. The contracts with identify providers are managed through a framework agreement which was created following an open competitive process. Payments to suppliers under the framework agreement are based on successful verification of users with no guaranteed volumes. As the service matures, revenues generated from clients will form the largest single component of the programme's costs. Delivery performance against each contract is tracked in fine detail and is the subject of regular reviews between GDS and each supplier.

The PSN Team is part of the Department's Common Technology Services programme. It has a contract with Nominet to provide an end to end DNS resolver service, threat analysis and DNS analytics service. This has been procured on behalf of GCHQ, with all costs incurred by the Cabinet Office in relation to this contract recharged to GCHQ. The contract was procured through the G-Cloud framework, and has a value of £5 million over 2 years which expires in September 2018. Performance is monitored by the Digital Marketplace team against KPI and SLAs within the contract, and is subject to quarterly service reviews.

Contracts for back-office outsourcing

The Department has a contract with Fujitsu which provides the Flex C confidential IT platform which was upgraded in the 2016-17 financial year through project Fabric. The annual spend on the contract in 2016-17 was £5.4 million. The contract runs until January 2018. It is managed through the Department's Digital and Technology Team with fortnightly operations meetings held to ensure that the service is delivering to contracted Key Performance Indicators and Service Level Agreements.

Government has a contract with SSCL to provide shared services through ISSC2; the framework has a current call-off value in excess of £1bn, providing back office service to over 250,000 employees in the Civil Service and Metropolitan Police Service, including Cabinet Office staff. The contractual services include finance, payroll, recruitment (including vetting), plus government purchasing (totalling around £50bn worth of transactions processed annually). The Cabinet Office's own contract with SSCL amounts to some £3.5 million per annum subject to demand.

The charging regime and associated service volume/consumption data is subject to extensive audit and assurance, as is the supplier's control systems for security and fraud prevention. Unit prices and baseline volumes are fixed for the contract term but with benchmarking and open-book provisions built into the contract. Pricing delivered significant savings relative to legacy services. Benefits are tracked on a regular basis.

For Estates services, the Cabinet Office has been a member of an affiliated cluster group, which brings together other CO bodies such as Crown Commercial and other Government agencies operating in buildings together to achieve synergies from the running of estates services. In 2016 the cluster successfully worked with the support of CCS to combine requirements when appointing a new provider, Interserve, for FM services in several buildings.

The contract has a total value of £49m over its five-year duration, representing a 30% saving over previous arrangements. The new contract has also enabled shared contract management and procurement activity, saving 4 FTE headcount. Cluster members and the GPA, with on-going support from the CCS, will manage the on-going relationship with the contractor and develop the next generation of this framework agreement.

Contracts for Civil Service Learning

Civil Service Human Resources (CSHR) is responsible for Civil Service Learning (CSL) which provides learning and development for all civil servants. It works with experts in learning and development to create and provide a range of high-quality learning that supports and equips civil servants to deliver excellent public services. CSHR has a contract with Korn Ferry Hay Group providing learning for any existing or new learning, targeted and designed primarily for the SCS. KFHG provide a core suite of learning that is high-quality, challenging and relevant to SCS roles. This includes open courses for all SCS and tailored courses for SCS within Departments. The maximum value of the contract is £21 million over an initial two year period, with an option to extend by one year incrementally for a maximum contract term of four years.

In addition CSHR have contracted with KPMG to provide core curriculum for all grades below SCS. This focuses on a finite number of tightly-managed core learning areas and products. The offer is designed to be flexible in order to meet the specific needs of Departments and teams. The maximum value of the contract is between £59m - £149m for an initial period of 3 years, with the option to extend for a further one year.

Finally CSHR contracted with Capita to provide any niche or bespoke learning requirements outside of the core curriculum for all grades in the Civil Service. The contract was awarded in February 2012 and has been extended until December 2017. Capita go to open market or a

third party supplier network to provide value for money services. The maximum value of the contract is £18m.

Investments, Joint Ventures and Other Assets

Cabinet Office owns minority equity stakes in six Joint Venture Companies (JVCs). The purpose of taking these stakes was to enhance value for money by facilitating transformation within entities providing a service to Government, through association with Government increasing the JVC's ability to win third party business or because a JVC provides services to Government on beneficial terms and the stake assists in maximising take up across Government.

A brief description of MyCSP¹ and Shared Services Connected Limited² is provided in the Major Contracts and Outsourced Services section above. Axelos Limited was created in 2013 by the Cabinet Office and Capita plc, to manage, develop and grow Best Practice products. AXELOS products include Prince II, ITIL, MSP and Resilia.³ Behavioural Insights Limited was started in 10 Downing Street as the world's first government institution dedicated to the application of behavioural sciences. It is a social purpose company which draws on ideas from the behavioural science literature to inform the design of public services and identify what works.⁴ Indesser, the trading name of Integrated Debt Services Limited, was founded in 2015 and is the single point of access to debt management, collection and fraud and error services for Government Departments and the wider public sector.⁵ Crown Hosting Data Centres Ltd is a joint venture between Cabinet Office and Ark Data Centres which provides flexible data centre colocation at OFFICIAL and above levels of security.⁶

The relationship between the Cabinet Office and each partner and JVC is contained in formal Shareholder Agreements and in JVCs' Articles of Association. A Shareholder Committee has been established within the Department to oversee the performance of the JVCs and ensure appropriate governance. This committee reports to the Cabinet Office Accounting Officer who has overall delegated responsibility for these investments.

Each JVC is majority owned by a Private Sector Partner, with the exception of My CSP which is a mutual. Table 1 sets out the percentage share of each JVC held by the Department. The Partner controls the Board, provides senior management to the JVC and has full day-to-day management control of the JVC. The Department typically has rights to appoint (and remove) up to two Non-executive Directors (NEDs) to/from the Board of each JVC. The Department's approval is also required for certain 'consent matters' and is entitled to receive copies of business plans and other management information. JVCs and NEDs are expected to provide annual statements of assurance to the Cabinet Office.

Where a JVC is a supplier to Government, the Government's interests as a customer are overseen by a separate Customer Function or Framework Authority to which separate governance arrangements apply. The Customer Function / Framework Authority manages the JVC's performance as a supplier under its supply contracts with the Cabinet Office and other

¹ See <www.mycsp.co.uk/>.

² See <www.sscl.com/>.

³ See <www.axelos.com/about-axelos>.

⁴ See <www.behaviouralinsights.co.uk/about-us/>.

⁵ See <www.indesser.com/>.

⁶ See <<https://crownhostingdc.co.uk/>>.

governmental customers in the normal way, independent of Department's interests as a JVC shareholder.

Table 1

JVC	CO Shareholding
My CSP Limited	24%
Shared Services Connected Limited	25%
Axelos Limited	49%
Behavioural Insights Limited	35%
Integrated Debt Services Limited	25%
Crown Hosting Data Centres Limited	25%